Austria	Sch30	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.950	Israel	Shk4.95	Philippines	Peo40
Belgium	BFr60	Italy	L2200	Poland	Zl 11,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Es165
Denmark	DKr13	Korea	Won 2000	Qatar	QR10.00
Egypt	E£3.50	Kuwait	Fils.500	S.Arabia	SR9.00
Finland	FM8.50	Lebanon	L£1,000	Singapore	S$4.10
France	FFr7.50	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malaysia	M$4.25	Sweden	SKr13
Greece	Dr200	Morocco	MDh15	Switz	SFr2.70
Hungary	Ft120	Neth	Fl 3.50	Thailand	Bht50
Iceland	IKr180	Nigeria	Naira15	Tunisia	Din0.800
India	Rs20	Norway	NKr13.00	Turkey	L3000
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

STOCK MARKETS
The bull that should be a bear
Page 12

FT No. 31,378

Wednesday February 13 1991
D 8523A

Saudis seek foreign loans to fund war effort

By Victor Mallet in Riyadh and Stephen Fidler in London

SAUDI ARABIA has begun negotiations to borrow money abroad to help fund the multinational war effort against Iraq, senior western diplomats and bankers say.

If a deal was reached, it would apparently be the first such international borrowing by the kingdom. Saudi Arabia participates extensively in financial markets but is sensitive about the payment or receipt of interest because Islam frowns on usury.

A senior western diplomat told reporters yesterday that Saudi Arabia had spent or committed some $48bn on the war in the Gulf, but had gained only $12bn to $15bn from the windfall of higher oil prices and increased production since August last year. It had only $10bn of liquid reserves at the start of 1990.

Saudi Arabia's western allies, conscious that the oil-rich Gulf states are prone to criticism for not contributing enough cash to the war, are attempting to show that the Gulf is in fact making substantial contributions.

"Everything the US has asked for the Saudis have provided or committed – sometimes with a large, audible gulp, but they have met every request," said the diplomat yesterday. "I don't think there is heavy borrowing to date. I think there is heavy borrowing in progress."

Saudi Arabia's contributions include a commitment of $13.5bn for the US war effort in the first quarter of this year, aid to countries affected by the crisis, fuel and other assistance to members of the alliance based in Saudi Arabia, and its own military spending.

Few details of the Saudi approaches to possible lenders or intermediaries were available last night, but the finance minister was said to be angry that the news had leaked out so early in the negotiations.

Officials at Middle Eastern banks said that no formal fund raising among international banks was in progress. They believed the Saudis would in the first place turn to their own banks, which have large foreign assets.

The timing of such a borrowing would not be good from the Saudis point of view, they pointed out. With their capital under pressure, international banks are drawing back from lending to all types of borrowers. Lending to Saudi Arabia while a war was in progress make it especially difficult.

The sensitivity to the payment of interest has led the Saudis to try to avoid public borrowings from international banks. The only precedents were in 1989 when the Saudi government's Public Investment Fund secured a $600m loan from the kingdom's 11 commercial banks.

Gulf war news Pages 2-3.

World News

Military arm of Warsaw Pact to break up by April

The Warsaw Pact, the most powerful remaining institution of the international communist system, will be dissolved by April on the express wish of President Mikhail Gorbachev.

The break up of the military arm of the pact ends months of intense speculation about its future role. Page 14

Mandela trial doubt

The kidnap and assault trial of Mrs Winnie Mandela hung in the balance after two men who said they were beaten by her refused to testify after another witness disappeared.

Dissidents jailed

China sentenced two dissidents to 13 years in prison, the heaviest sentences so far against alleged leaders of pro-democracy protests crushed in 1989. Page 4

Peru fights epidemic

Peru unveiled emergency measures to control a cholera epidemic which has claimed more than 70 lives and infected at least 8,500 over the past fortnight.

US clinic wins case

A US jury ordered 34 anti-abortion campaigners to pay $8.2m in damages for locking a Oregon clinic's doors during a demonstration two years ago.

Paris bombing

A bomb exploded outside the Paris home of the late French president Georges Pompidou, but no one was injured.

Dublin breaks ice

Ireland tabled new proposals in an attempt to break the deadlock preventing the opening of formal talks on the political future of strife-torn Northern Ireland. Page 8

SA talks accord

President F.W. de Klerk and African National Congress deputy leader Nelson Mandela resolved a dispute that threatened to derail talks on the armed struggle against apartheid. Earlier report, Page 4

Quake hits Turkey

A strong earthquake rocked Istanbul, shaking buildings, rattling windows and sending residents fleeing their homes in panic.

Taylor flies in

Liberia's main rebel leader, Charles Taylor, arrived in Togo for a summit meeting that may decide whether a ceasefire holds or war resumes in his west African country.

Arms sales curbed

Hungary promised tighter controls on arms exports after disclosures that its weapons makers supplied 10,000 machine guns to Croatian separatists in Yugoslavia.

Brazil bank raid

Brazil television reported that 20 men armed with pistols and machine guns robbed a northern region bank of $12m, the country's biggest raid ever. Page 4

Mozambique attack

Mozambican rebels on Friday attacked a military-escorted convoy carrying food to refugees, killing 38 government soldiers and seven civilians.

Pilots executed

Jordan executed two air force pilots on charges of spying for Israel.

Philippines offer

The Philippines told the US how much it wants the Americans to pay to continue using six military bases on its soil after their lease expires in September.

Financial Times

We regret that distribution of the Financial Times is being disrupted in many European countries as a result of the current adverse weather conditions.

Business Summary

Bonn plans DM10bn aid rise to east Germany

Mr Jürgen Möllemann, new German economics minister, proposed a 10-point plan for eastern Germany which would cost at least an extra DM10bn ($6.7bn) this year as evidence mounted of economic collapsem in the region.

The Bonn Finance Ministry also announced that the east German states and local authorities, many threatened with bankruptcy, would receive a further DM5bn in emergency aid. Page 14

MARKETS: In New York, the Dow Jones Industrial Average was down just 2.23 at 2,900.00 at 1pm as shares recovered from early lows. Frankfurt: DAX index opened at the day's high of 1,486.42 and slipped steadily to close 19.80 lower at 1,468.94. Paris turned lower as bond futures fell and hopes of an interest rate cut waned. The CAC 40 index dropped 11.05 to 1,626.24. Share prices surged in Tokyo on huge volume with investors encouraged by the sharp rise on Wall Street on Monday, the strengthening yen and hopes of a short recession in the US. The Nikkei average closed at 24,935.01, up 638.93 or 2.6 per cent from Friday's finish, having been closed on Monday. World Stock Market reports, Back Page, Section II

BUNDESBANK joined other central banks in an "act of solidarity" to support the dollar after earlier remarks by Helmut Schlesinger, deputy president, suggested that the German central bank was not in favour of intervention to support the currency. Page 6

SHORTAGE of skilled workers in Europe is reducing economic growth and undermining the EC's competitive position, says a report for the European Community. Page 6

GOODYEAR, US tyre company, suffered a $38.3m loss for 1990 compared with a 1989 net profit of $207m. Page 15

ELKEM, Norwegian light metals producer, announced a pre-tax loss of NKr650m ($115m) for 1990 before year-end allocations, compared with a NKr1.05bn profit in 1989. The company is to pass its dividend. Page 15

FOKKER, Dutch aircraft maker, is to cut 1,000 jobs and delay resumption of dividend payments, reflecting problems caused by the continued weakness of the dollar. Page 16

ASIA Pacific Breweries (APB), jointly owned by Heineken of the Netherlands and Fraser and Neave, Singapore soft drinks group, has set up a joint venture, in which it holds 54.4 per cent, with Brierley Investments (BIL) to control Magnum Corporation. Page 19

ALCAN Australia, 73 per cent subsidiary of Alcan Corporation of Canada, blamed low aluminium prices and high production costs for a loss of A$13.3m ($10.35m) for the year to December, compared with a profit of A$63.8m. Page 19

UNISYS, US computer company, is suspending payment of dividends on its preferred stock, saving about $120m per year. Mitsui Corporation of Japan acquired $150m worth of Unisys preferred stock last June. Page 19

ALEXANDER & Alexander, world's second largest insurance broker, reported after-tax profits of $20m in the final three months of 1990, compared with $13.7m in the same period a year ago. Page 19

SEARS, Roebuck of the US, world's biggest retailer, is to take more measures to cut costs by eliminating 33,000 jobs by the end of the year, about 9,000 more than previously announced. Page 19

GOLDMAN Sachs & Co and the Industrial Bank of Japan announced the launch of a new bond index for the Japanese-government market. Page 20

Pavlov accuses western banks of anti-Soviet plot

By Quentin Peel in Moscow

MR Valentin Pavlov, the newly appointed Soviet prime minister, yesterday accused unnamed western banks of trying to destroy the Soviet economy and overthrow its government.

His extraordinary claim was combined with an intemperate attack on western businesses which have invested in joint ventures, suggesting that many were blatant speculators, "the shadow dealers of the western economy... the dregs of their entrepreneurs."

He said they planned to pour secret hoards of excess roubles back into the system in order to cause hyper-inflation in the Soviet economy. This could have led to the overthrow of President Mikhail Gorbachev and a takeover of the government by "advocates of swift privatisation," ready to sell the country's assets to the highest bidders.

At the same time Mr Pavlov, who was appointed by Mr Gorbachev as his new premier only last month, spelt out a new conservative economic reform strategy, involving forced modernisation of heavy industry, strictly limited privatisation and substantial compensation to be paid in advance for future price rises.


Soviet premier Valentin Pavlov: conservative approach to reform

His full-page interview in Trud, the trade union newspaper, was greeted with astonishment and derision in the western business community in Moscow, where it was seen as a desperate effort to defend last month's unsuccessful and unpopular money reform.

Yet it mirrors repeated claims by the KGB, the Soviet secret service, that western plots are under way to destabilise the Soviet economy – in conjunction with Soviet businessmen and radical democrats dedicated to economic reform.

Mr Pavlov, who as finance minister last year was responsible for printing Rbs24bn in cash – more than double the Rbs10bn planned – in order to help finance a Rbs90bn budget deficit, said the entire money reform was aimed at protecting Soviet citizens, not confiscating their savings.

The reform amounted to the instant abolition of Rbs50 and Rbs100 banknotes, and their forcible exchange for new money, subject to proof of legal earnings. The big banknotes are the main form of domestic savings for millions of ordinary families and pensioners.

"I had a duty before the country, and the population, to prevent a financial catastrophe," Mr Pavlov said.

"It is well known that for some time a huge inflow of money into our country was being prepared," he said. "Several measures were planned, including buying up Rbs50 and Rbs100 banknotes. Banking institutions in our country, and a number of private banks in Austria, Switzerland and Canada, joined in the operation. I will not name the banks, although I know their addresses."

Questioned on the scale of the operation, given that Rbs40bn of the Rbs48bn cash in circulation in the big banknotes has been handed back to the Soviet state bank, Mr Pavlov said: "I have no right to speak about this now, because the financial war declared on us is still going on... You cannot disclose to your enemy everything you know about him."

He said the Soviet authorities were aware of "attempts to resell billions in Soviet cash through Germany to Switzerland, and through Hungary to Luxembourg and the Netherlands."

The plan was to cause "artificially created hyper-inflation." Its aim was "to overthrow undesirable political figures: President Gorbachev was getting in somebody's way now." He even suggested that the plot might have something to do with the war in the Gulf.

The tone of the Pavlov interview, which was submitted for his comments and corrections before publication, was politically conservative as well as xenophobic.

He said that "ultra-radicals" in the Soviet republics would see a benefit from destruction of the rouble, helping them establish their own independent currencies.

Then, "advocates of swift privatisation might have come to power. They would have carried it out in conditions of rising inflation, in such a way that our country would be sold off very cheaply.

"I will say it even more sharply: the loss of economic independence threatened us, a kind of annexation, creeping and bloodless."

Radical route ruled out, Page 6; Warsaw Pact to be dissolved, Page 14

BA and Sabena revive efforts to form partnership

By Paul Betts in London and David Gardner in Brussels

BRITISH AIRWAYS and Sabena have revived their attempt to form a partnership to create a new European airline hub in Brussels as the world airline industry crisis deepens.

Carriers yesterday reported increasing losses and job cuts, an intensification of the transatlantic fares war, and more airlines postponed deliveries of new aircraft on order.

Mr Pierre Godfroid, Sabena's new chairman, confirmed the airline was negotiating with BA "a very concrete proposal" for a strategic link-up. He said the talks "would already have been positive had it not been for the Gulf war". It was not clear, however, what form the new partnership would take or, indeed, whether the two airlines would overcome the objections which defeated their first attempt at a link-up.

The Belgian government announced a BFr32bn ($1.038bn) restructuring of Sabena, the Belgian flag carrier, which announced yesterday 2,200 job cuts and loses of BFr6.6bn ($.214bn) for last year.

In other developments yesterday:

- BA reported sharply lower third quarter profits and warned of a "substantial operating loss" in the fourth quarter ending March 31.
- Mr Bernard Attali, the Air France chairman and current president of the Association of European Airlines described the situation as "the worst crisis in air transport in 40 years".

He said the AEA, which groups together 22 European airlines, was preparing a discussion document to serve as a basis for support from the European Commission for European airlines during the current slump.

- Fokker the Dutch aerospace group, announced 1,000 job cuts while Iberia, the Spanish carrier, said it planned to temporarily lay-off about 10 per cent of its 28,000 workforce.

The original deal between Sabena and BA, first announced last year, collapsed at the beginning of this year because of Sabena's financial problems, its restructuring programme under its new chairman, and growing reluctance on the part of BA to invest in a Sabena subsidiary.

Both Sabena and BA indicated yesterday that no firm agreement was likely to be reached soon. BA is currently deep in its own restructuring programme involving 6,600 job reductions and other sweeping cost cutting measures.

BA said yesterday that it was deferring delivery of five Boeing 767 aircraft due to join its fleet this year as part of its overall clamp-down on costs. Qantas, the Australian international flag carrier, also said yesterday that it was planning to postpone delivery of new aircraft this year.

Lord King, BA's chairman, also attacked the current airline industry's regulatory environment which was causing concern at a time when the airline was attempting to survive the recession.

"Too many people in this country view competition as extending no further than the White Cliffs of Dover," he said.

"We operate in an international industry. A flock of British sparrows will not stand much chance against the onslaught of American eagles."

Continued on Page 14
Background, Page 8

US economic forecast helps to stabilise $ on world markets

By Rachel Johnson in London and Michael Prowse in Washington

THE WHITE HOUSE yesterday sought to prop up the dollar with upbeat statements about the US economy after 14 central banks had again been forced to intervene on the foreign exchanges to support the currency.

Mr Michael Boskin, the White House chief economic adviser, said in this year's Economic Report of the President that the economy should rebound out of recession by the middle of this year.

The report is optimistic about short and long run economic prospects. He forecasts a shallow recession by post war standards with growth resuming this summer. Unemployment peaks at 6.6 per cent, only fractionally above current levels.

A sharp improvement in US labour productivity, towards levels last seen in the 1960s, is seen as underpining a resumption of robust growth from 1992 onwards. Growth is also supported by better fiscal discipline and a steady fall in the budget deficit.

Mr Boskin also said the Federal Reserve, the US central bank, might need to revise its monetary targets for 1991. The report warns the Fed that a fall in interest rates during a recession may reflect a declining demand for credit rather than an easing of monetary policy.

The monetary aggregates hardly grew in the last quarter of 1990 and Mr Alan Greenspan, the Fed chairman, has been criticised for not acting aggressively to combat the recession.

The Administration's broadly positive forecast gave an anchor to the dollar but arrested this week's rally on Wall Street – which has been partly triggered by the expectation that the Federal Reserve would cut interest rates. At midsession, the Dow Jones Industrial Average was down 9.90 at 2,892.33, in sharp contrast to the 71-point surge on Monday.

Central banks started buying the dollar in concerted rounds of intervention last week.

Yesterday's round of intervention was publicly led by the Bundesbank, helping to correct the impression given the day before that the Germans were opposed to supporting the US currency.

The Bundesbank did not intervene yesterday morning as the dollar was set at a new all-time low of DM1.4535 in Frankfurt. But it then surprised dealers by spearheading the round of dollar intervention, which began at the start of European trading immediately after the fixing. This gave foreign exchanges a clear signal that the Bundesbank was continuing to play an active role in market management. The dollar closed in London at DM1.4530 after DM1.4450 on Monday.

The Bank of England also bought dollars for D-Marks, helping sterling to close firmer at DM2.8950, after a previous DM2.8875.

The FT-SE 100 share index reversed a sharp gain on Monday to close down 14.5 at 2,264.5. Rates on the London interbank market rose slightly. Three-month money was traded at 13⅝-½.

US details, Page 4

CONTENTS

NASD draws hope from an unhappy beginning to the year

Joseph Hardiman, president of the National Association of Securities Dealers, is quietly confident that the association's London trading facility, Nasdaq International, will be allowed to open for a pilot period

Page 21

MARKETS

STERLING
New York lunchtime:
$1.993 (1.9968)
London:
$1.992 (1.9975)
DM2.895 (2.8875)
FFr9.865 (9.8425)
SFr2.48 (2.4675)
Y255.5 (255.00)
£ index 94.3 (94.2)

GOLD
New York: Comex Apr
$370.3 (369.0)
London:
$368.25 (367.75)

N SEA OIL (Argus)
Brent Apr
$19.425 (19.5)

Chief price changes yesterday Page 15

DOLLAR
New York lunchtime:
DM1.4527
FFr4.9515
SFr1.2452
Y126.3
London:
DM1.453 (1.445)
FFr4.9525 (4.9275)
SFr1.2445 (1.235)
Y126.25 (127.7)
$ index 59.4 (59.3)
Tokyo close: Y127.7

US lunchtime rates
Fed Funds 6¼%
3-mo Treasury Bills:
yield: 5.99%
Long Bond:
$99\frac{5}{32}$
yield: 7.94%

STOCK INDICES
FT-SE 100:
2,264.5 (−14.5)
FT Ordinary:
1,781.1 (−12.6)
FT-A All-Share:
1,085.46 (−0.4%)
New York lunchtime:
DJ Ind. Av.
2,900.0 (−2.23)
S&P Comp
368.57 (−0.01)
Tokyo: Nikkei
24,935.01 (+638.93)

LONDON MONEY
3-month interbank:
closing $13\frac{9}{16}$% ($13\frac{3}{8}$)
Liffe long gilt future:
Mar $92\frac{25}{32}$ ($92\frac{3}{32}$)

هكذا من الأجل

Allies launch land, sea and air barrage

By Victor Mallet in Riyadh

THE ALLIES yesterday staged the largest combined operation of the war, bombarding Iraqi forces from land, sea and air. The complex action involved US Marines aircraft, Saudi multiple rocket launchers, Marines artillery and the big guns of the USS Missouri, a military spokesman said.

Iraqi tanks, artillery pieces and troops were attacked in what military spokesmen described as a successful test of co-ordination. No further details were immediately available.

As preparations continued for a possible full-scale land war to liberate Kuwait, US officials reported an aerial attack on a convoy of between 25 and 50 vehicles in southern Kuwait on Monday night.

Allied aircraft continued their hunt for Scud missile launchers after the firing of three Scuds on Monday night, two at Israel and one at Saudi Arabia, and pilots reported the possible destruction of three mobile launchers in western Iraq. In the east, a US pilot saw a Scud explode on its launcher, apparently because of a malfunction rather than an allied air raid.

A US F-15 shot down an Iraqi helicopter in northern Iraq, while British Tornados and Jaguars attacked pontoon bridges, hardened aircraft shelters and Iraqi multiple-rocket launchers.

Allied military commanders said that one reason for hitting river bridges in Baghdad was because they carried communications cables. They also confirmed that they were attacking Iraqi radio and television broadcasting facilities.

"If it's part of the national command and control system, if for example a known antenna system is broadcasting from the leadership to the military commanders or the populace at large, yes then it's a target," said one US officer. "There are some radio stations that only broadcast music and we don't touch them."

Saudi Arabia announced that one of its soldiers had been killed by a booby trap in the border town of Khafji, which was briefly occupied by Iraqi troops. Three Saudis and three Kuwaitis were injured.

As Iraqi deserters trickled across the front lines, the US supported Saudi claims that there were Iraqi death squads killing deserters and soldiers who listened to foreign radio broadcasts.

A senior western diplomat said several groups of people had been arrested in Saudi Arabia to pre-empt possible terrorist attacks, in addition to the six held on suspicion of involvement in a recent shooting incident in Jeddah. Attempted terrorism was being directed from abroad, he said.

Air attacks leave Iraqi army short of fuel

THE TIMING of a land attack will depend upon the gradual attrition of the Iraqi war machine. Allied commanders *must decide when the Iraqi* forces have been so damaged that victory, with as few coalition casualties as possible, is assured, writes **Paul Abrahams.**

At sea and in the air, at least, the coalition appears to have already won the battle. Yesterday, Commodore Chris Craig, commander of British naval forces in the Gulf, claimed that the allies had achieved "almost total domination of the Gulf waters." In the air, the coalition declared air supremacy on January 30.

However, before the allies attack on the ground, they need to reduce yet further the potency of the Iraqi army. With more than a million men, it is the world's fourth largest – and larger than the US army.

Yesterday, American military sources said the Iraqi army had now stopped operating as a national army and was only capable of working in small pockets.

They suggested a ground attack would not take place until the Iraqi army's fighting capability has been reduced by 50 per cent.

In strict material terms, the coalition remains some distance from that figure. The Americans claim the allies have so far destroyed:

- More than 750 of Iraq's 4,000 tanks (18 per cent).
- More than 650 of Iraq's 3,200 artillery pieces (20 per cent).
- More than 600 of Iraq's 4,000 armoured personnel carriers. (15 per cent).

At the end of last week, allied military sources admitted there was some way to go before the fighting ability of the Iraqi army had been sufficiently 'degraded'. They said the pace of the bombardment would accelerate.

However, the process of changing the military balance in favour of the coalition is not limited to simple accounting of the number of Iraqi tanks and armoured vehicles damaged. There are other imponderable factors that will affect the Iraqis' fighting ability.

A key element in the allies' strategy has been to reduce the effectiveness of the President Saddam Hussein's forces by launching air strikes against the Iraqi army's logistical chain. The coalition claims to have cut 50 per cent of the feeder routes into Kuwait, making resupply of Iraqi forces hazardous and haphazard.

In particular, the allies have targetted the Iraqis' fuel supplies. The combination of the destruction of about half of Iraq's refining capacity together with raids on Iraqi logistical network has left much of the army short of fuel. Recent Iraqi deserters have painted a picture of an army which has been crippled by fuel shortages – the only vehicles capable of moving are tanks, they say.

In addition, the ability of the Iraqis to defend will also depend upon the extent of the degradation of their communications, and command and control systems. If these have been severely damaged, the ability of the Iraqi army to co-ordinate their defence may be severely affected.

Finally, allied sources have suggested that the Iraqis' equipment may also have been adversely affected by the immobility required to protect it from coalition bombing.

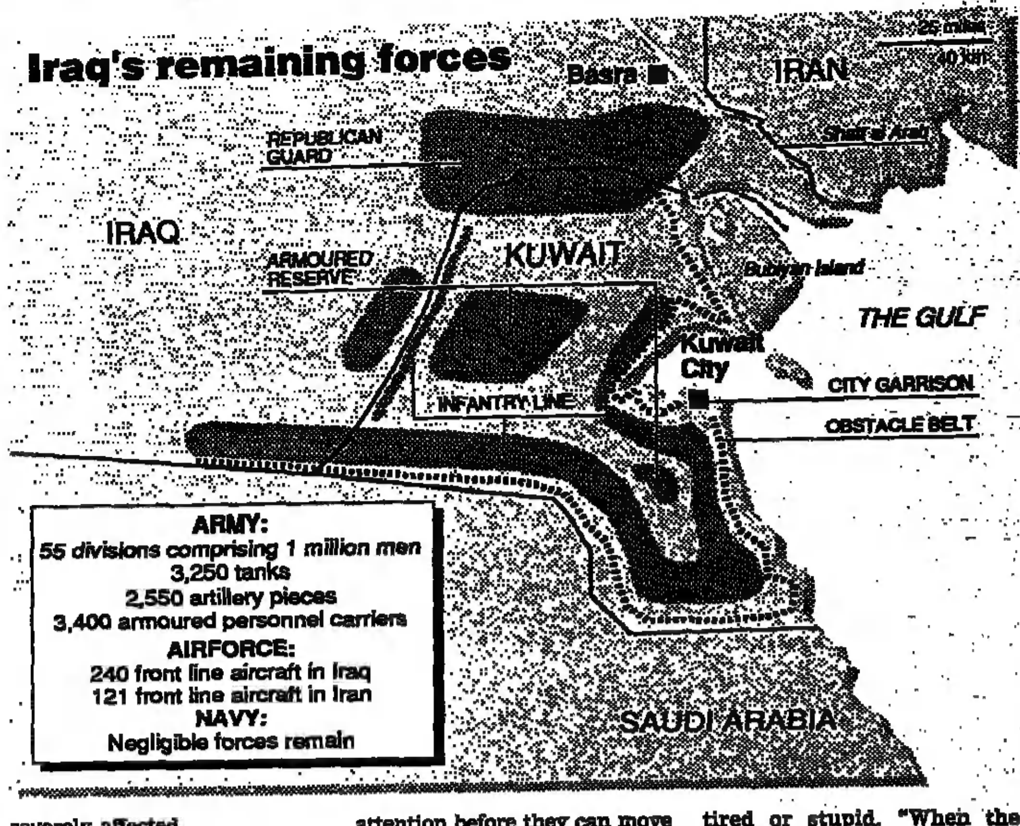
Away from maintenance facilities and not having started their engines for fear that their heat signature could be detected by allied aircraft, the Iraqis could discover their tanks and armoured personnel carriers require considerable attention before they can move into battle. The safety of immobility may have a price, argue the allies.

However, this view is questioned by Mr Henry Dodds, editor of Jane's Soviet Intelligence Review, who argues that Iraqi armour could still pose a threat.

Mr Dodds points out that their Soviet-made tanks are crude but efficient. They are, he explains, designed to be operated by troops who are tired or stupid. "When the Iraqis want their equipment to work, it will," he adds.

Finally, the capability of the army will depend upon the morale of the troops. So far, the coalition bombardment has demoralised at least some Iraqi troops, demonstrated by the 1,000-odd deserters.

In the end, however, the extent of the Iraqis' willingness to resist will only become apparent when the coalition attacks.



Iraq defiant as ground war looms

By Mark Nicholson in Amman

IRAQ *yesterday* defied continuing peace efforts and appeared instead to be preparing its population for the next stage of war, launching a flurry of warmongering warnings to the allies over the consequences of a land battle.

Baghdad continued to call on Arabs to help fight the coalition. Mr Taha Ramadan, deputy premier, appealed to Arabs to go beyond demonstrations of support for Baghdad by physically attacking western targets.

Mr Sadi Mahdi Salih, deputy speaker of Iraq's national assembly, set the defiant tone in an address on Iraqi radio. He said the country had "disappointed" the coalition forces with its "steadfast resistance" to attacks.

"With their great resolve, the heroic Iraqi people have managed to absorb the shocks of the unrelenting air strikes," he said. Iraq's army was in the "highest state of readiness" to confront coalition troops, with neither its morale nor its "lethal developed weapons" damaged by the bombing.

Another Iraqi radio commentary said coalition bombs "have not harmed and will not harm our heroic armed forces". It warned that allied troops can expect "nothing but dark days and darker nights."

Iraqi newspapers took the same theme, with Al-Qadisiyah, the military newspaper, saying "the world will see how the war machine of Bush and his mercenaries will turn into burning fragments in the Arabian sands."

Another newspaper, Al-Thwara, said that the coalition's hopes for a "lightning and inexpensive war were dashed" by Iraq's resistance, leaving the coaliton's commanders "hesitant and apprehensive" about confronting Iraqi forces on land.

Mr Ramadan's call came as up to 6,000 in the south Jordan town of Karak marched against the war. Protesters, some bearing Iraqi flags and many carrying large mock Scud missiles, burned an effigy of President Bush and declaimed western and some Arab leaders.

The town was the scene in 1188 of Saladin's great victory over the Crusaders. "It is the same fight against the unbelievers today," said one young demonstrator.

Coalition Arabs to discuss post-war era

By Max Rodenbeck in Cairo

ARAB foreign ministers from countries supporting the anti-Iraq coalition will meet in Cairo on Friday to discuss post-war security in the Gulf.

Nine countries are expected to be represented at the two-day conference, including members of the Gulf Co-operation Council and Egypt, Syria and Morocco, which have all contributed troops to the coalition. Kuwait's government-in-exile will also attend.

Topics likely to be discussed include the creation of a permanent Arab defence force in the Gulf built around existing forces. Arab leaders have stressed the need for self-reliance in the future, with a limited western role.

The ministers will also discuss expanding aid from rich Gulf states to friendly Arab countries, and how best to structure a \$15bn (£7.6bn) development fund whose establishment was recommended at a Gulf Co-operation Council summit in December.

The Arab allies are also expected to emphasise the need for swift and uniform implementation of UN resolutions concerning occupied land.

Other issues on the agenda will cover regional arms control – including the elimination of weapons of mass destruction – and relations with non-Arab Islamic powers such as Pakistan, Iran and Turkey.

NEWS IN BRIEF

Two Jordanian men executed for spying

JORDAN announced yesterday it had executed two men for spying for Israel, the first such executions for 30 years, writes Mark Nicholson in Amman.

The two men, a low-ranking air force officer and his friend, a truck driver, were found guilty of high treason and hanged on February 3, the Jordanian news agency, Petra, said.

Jordanian officials said the young airman had been recruited to Mossad, the Israeli secret service, by a young Israeli woman posing as an American.

Russians on Iraqi airwaves

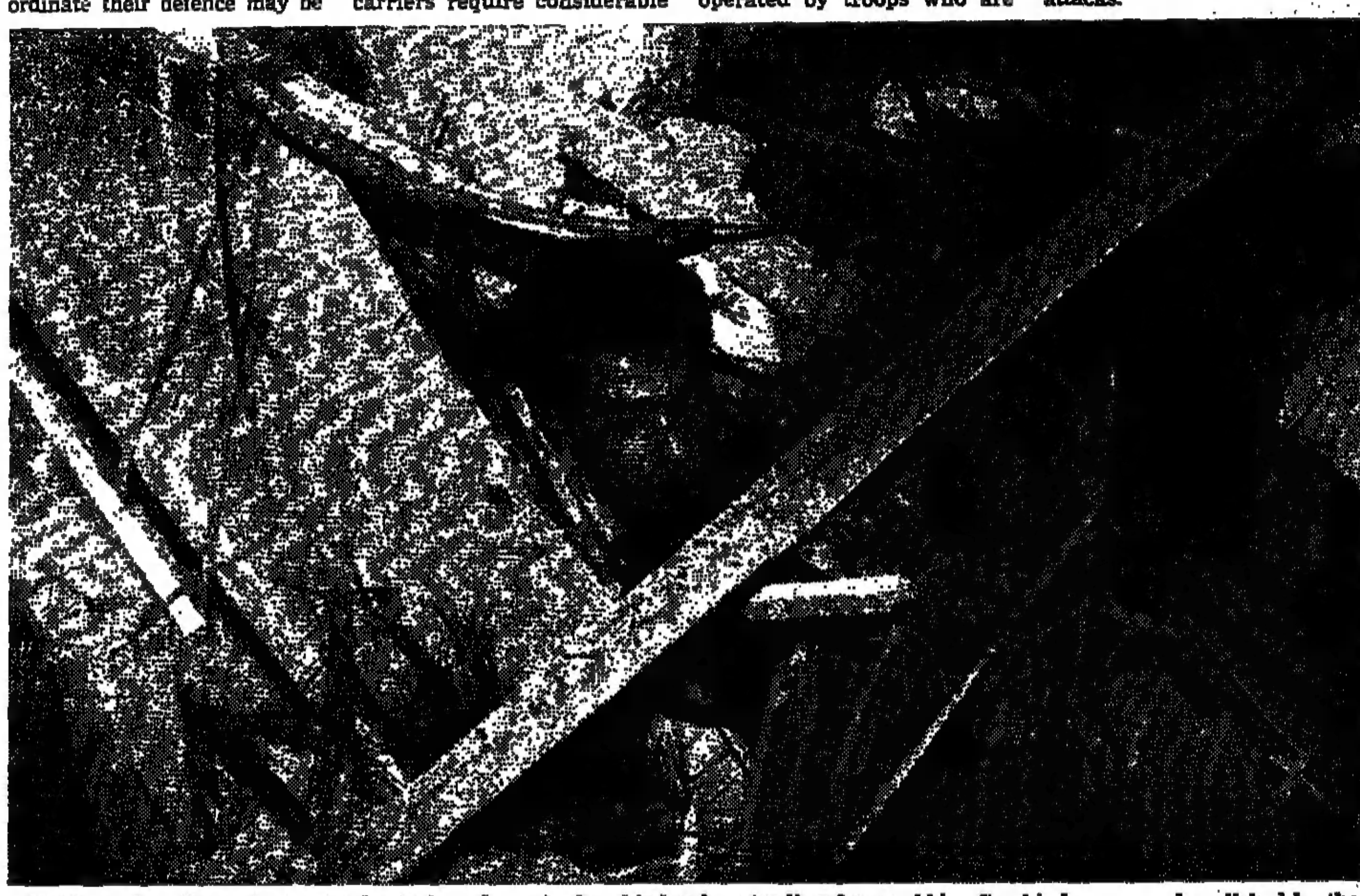
Allied electronic eavesdropping services in Saudi Arabia have intercepted a number of conversations in Russian on Iraqi military radio frequencies, according to Libération, the French newspaper, writes George Graham from Paris.

The conversations have been recorded down to battalion level, suggesting a considerable number of Russian military advisers could be with the Iraqi armed forces, Libération says.

German equipment for Turkey

Germany said yesterday the US had agreed to divert a heavy cargo aircraft from its war supply-line to fly German air defence equipment to Turkey, Reuter reports from Bonn.

But a spokesman said the US military was not sure when it could spare a C-5 Galaxy heavy transporter to airlift German missile launchers. Plans by Bonn to deploy anti-aircraft missiles and airmen have been stalled since Friday, after the Soviet Union stopped a chartered cargo plane from flying the launchers.



ALIVE: An Israeli survived a Scud attack early yesterday, his head protruding from rubble after his home was demolished by the Iraqi missile. His gas mask was still around his neck. He suffered only minor injuries.

Missile attacks test Israeli patience

By Hugh Carnegy in Jerusalem

ISRAEL yesterday signalled mounting impatience over Iraq's ability to strike with Scud missiles as Mr Moshe Arens, the defence minister, returned from talks in Washington.

"If today we exercise restraint, it does not necessarily mean that we shall do so tomorrow," said Mr Yitzhak Shamir, the prime minister, referring to Israel's decision so far not to launch a military counter-strike against Iraq.

He was speaking after the 32nd and 33rd Scuds fired at Israel from western Iraq since the outbreak of the Gulf war rocketed into urban areas of the country on Monday night and yesterday morning.

Only seven people were injured, but almost 200 apartments were damaged, bringing to 7,500 the number of homes damaged in the series of strikes. Four people have been killed and more than 300 wounded in the attacks.

Mr Arens stressed the need to wipe out the missile threat during a series of meetings with President George Bush, Mr Richard Cheney, defence secretary, Mr James Baker, secretary of state, and other officials in Washington. He also conveyed the Israeli government's view that its forces could contribute to the task, given proper co-ordination with allied air forces.

Israel has not participated in operations to eliminate Scud launchers, to avoid destabilising the anti-Iraq alliance. But it is afraid Iraq might still have the capacity to launch a chemical attack, possibly when allied troops move to a ground offensive against Iraqi forces in Kuwait.

"It is important that they [the US] understand that it is not simple to restrain ourselves in these circumstances," Mr Arens said after his talks in Washington.

One side-effect of his visit was the cancellation yesterday of a scheduled trip to Washington later this week by Mr David Levy, the foreign minister, who was due to see Mr Baker. Mr Levy, who has been talking recently of the need to discuss possible post-war regional peace moves, was evidently upset at being excluded from high-level contacts arranged for Mr Arens.

UN chief plays down leak of transcript

By Alan Friedman in New York

THE United Nations sought yesterday to play down Iraq's leaking of a transcript of the meeting between Mr Saddam Hussein and Mr Javier Pérez de Cuéllar, the secretary general.

Iraq leaked the document – in which Mr Pérez de Cuéllar allegedly praises Mr Saddam's role in elevating the Palestinian issue – three days after failing to persuade the secretary general to publish details of the January 13 conversation.

The transcript also contains Mr Pérez de Cuéllar's supposed agreement with Mr Saddam that the US had been heavy-handed in pushing through UN resolutions condemning Baghdad and authorising the use of force.

Senior diplomats inside the US-led coalition dismissed the Iraqi transcript as part of Baghdad's propaganda war and said they thought its likely impact would be minor.

A spokeswoman for Mr Pérez de Cuéllar said Iraq's leaking of the transcript was a "breach of diplomatic procedure" but that it was not especially damaging. The UN official said the Iraqi transcript "is not the version that we have" although there were "no problems with the substance, which we cannot comment upon."

A senior western diplomat said it was clear the Iraqi objective was "an opportunistic and unscrupulous attempt to embarrass Mr Pérez de Cuéllar." He added, that "this is not a big deal, coming from the government that was so particular about diplomatic niceties that it would not even accept the letter from President Bush."

Jordan to buy oil from Syria and Yemen

By Mark Nicholson in Amman

JORDAN has finalised deals to buy crude oil and refined petroleum products from Syria and Yemen to replace lost supplies from Iraq, which have been disrupted by allied attacks on Jordanian tankers.

Syrian officials said yesterday they had agreed to sell Jordan crude oil and refined products, in amounts to be decided on a monthly basis, depending on Jordan's ability to transport the oil and pay for it.

The price agreed on was not disclosed yesterday, but is expected to be close to market prices. The oil will be trucked to Jordan this month to test its suitability for the kingdom's Zarqa refinery.

Syria produces about 430,000 barrels a day of heavy and light crude and consumes about 180,000 b/d. The remainder has been sold on spot markets.

Jordan, which last week sent senior officials to Damascus to finalise the deal, had been importing its oil from Iraq, mostly as repayment in kind for debts incurred during the 1980-1988 Gulf war. The kingdom is expected to pay for the Syrian oil from reserves.

Jordan also said yesterday it would buy 100,000 tonnes of crude from Yemen, also at market prices. The oil will be shipped to Jordan's sole sea port, at Aqaba on the Red Sea.

Oil supplies to the kingdom, which consumes some 60,000 barrels a day, had dwindled to 500 b/d after allied air raids on supply routes from Iraq in the past two weeks.

Local economists estimate, however, that stringent fuel economy measures, including limits on the use of private cars, have cut Jordan's consumption to less than 40,000 b/d.

The number of tankers making the run into Iraq has also risen considerably from a low point last week of eight or nine tankers a day, compared with normal traffic of 200 tankers. At least 30 tankers have been making the trip daily in the past few days.

UAE pledges \$500m toward British costs

By Peter Norman, Economics Correspondent

THE United Arab Emirates has agreed to pay \$500m (£250m) towards Britain's costs in the Gulf war, bringing the total value of support promised by other nations to about £1.4bn.

The contribution was announced yesterday by Mr David Mellor, chief secretary to the Treasury, who visited the UAE earlier this month.

The UAE's contribution follows recent pledges of about £275m from Germany and £660m from the government-in-exile of Kuwait. Saudi Arabia has provided fuel and equipment worth between £120m and £150m for the British forces under a host-country support arrangement.

It is expected that Saudi contributions will total about £200m by the end of March.

The British government has been discussing the possibility of financial support for its war effort with a number of countries. It is believed Hong Kong may soon announce a small contribution.

Last week Mr Mellor told a parliamentary committee that Britain was seeking more support from the Saudi government and expected to obtain a "legitimate share" of \$9bn promised by Japan late last month for the allied war effort.

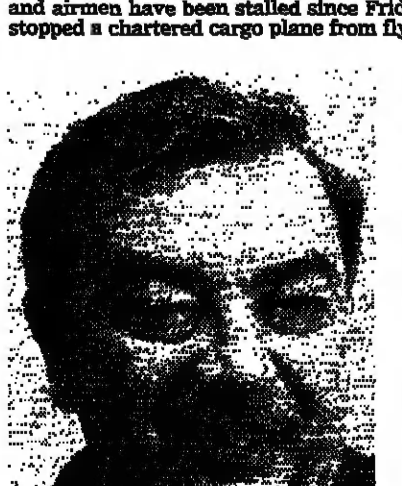
Correction

Kuwait contribution

SOME editions of Monday's paper incorrectly reported a Kuwaiti contribution to Britain's Gulf war effort of \$660m. This should have been £660m (\$1.31bn).

Soviet Union's peace initiative makes little headway

By Our Middle East Staff and Laura Silber in Belgrade



Yevgeny Primakov: 'nothing to tell'

RENEWED Soviet efforts to persuade President Saddam Hussein of Iraq to implement UN resolutions by withdrawing from Kuwait appeared to make little headway yesterday.

There was equally little sign of progress in Belgrade, where foreign ministers from 15 non-aligned countries failed to adopt a plan for the resolution of the Gulf crisis. Fresh divisions emerged between delegates on future steps to end the conflict.

Mr Yevgeny Primakov, the personal envoy of Soviet President Mikhail Gorbachev, is in Baghdad awaiting talks with Mr Saddam. Returning after a three-hour absence from his hotel yesterday, Mr Primakov said: "I have nothing to tell. I saw nobody."

In Moscow, Mr Roland Dumas, the French foreign minister, was preparing for talks with President Gorbachev, during which the Soviet leader was expected to voice again his concern about civilian casualties and extensive damage to Iraq's infrastructure caused by allied bombing.

Mr Vitaly Ignatenko, Mr Gorbachev's spokesman, stressed there had been no change in the Soviet Union's commitment to the multi-national effort. "The Soviet Union still supports the US, but President Gorbachev is free to state his own convictions," he said.

Mr Ignatenko added there was no secret agenda for Mr Primakov's talks in Baghdad. He was there to demand Iraq's immediate withdrawal from Kuwait. "We have not brought to Baghdad any secret protocols, any secret agreements," he said. "Our influence on Baghdad is very small."

Moscow had been Iraq's main weapons supplier until the invasion of Kuwait, and Soviet critics of President Gorbachev have complained he moved too quickly to align the Soviet Union with Washington. Hardline opponents accused the president of slavishly following the lead of US President George Bush.

A joint statement may be adopted by the non-aligned foreign ministers at the close of their two-day session, which has avoided direct mention of Iraqi withdrawal from Kuwait. According to Tanjug, the Yugoslav news agency, the ministers said they supported "all relevant resolutions from the United Nations Security Council".

Mr Budimir Loncar, Yugoslavia's foreign minister, presented a four-point plan, which upholds the Security Council's resolution 660. Mr Loncar offered a compromise, however, by calling for Iraqi withdrawal from Kuwait and the restoration of its legitimate government followed by "the opening of the peace process in the region as a whole, and attending to the resolution of the Middle East crisis, particularly of the Palestinian issue".

Earlier speculation that Mr Ali Akbar Velayati, Iran's foreign minister, would push for support of his country's peace plan, which calls for an Iraqi withdrawal from Kuwait to coincide with a pullout of western forces from the region, were not substantiated.

But Mr Velayati said: "Iran has maintained steady contacts with officials from Iraq, Kuwait and other countries in the region in order to stop the tragedy.

"But it has been impossible to propose any plan as each attempt has been rejected by one side or the other."

The meeting was attended by foreign ministers from Yugoslavia, India, Indonesia, Iran, Cuba, Ghana, Zimbabwe, Cyprus, Nigeria, Algeria, Sri Lanka, Venezuela, Egypt, Argentina, a special envoy from the United Nations and observers from Palestine's delegation to the UN, the Arab League, and the 45-member Islamic Conference.

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Cost of war forces France to cut budget

By Ian Davidson in Paris

Rocard: economy drive

MR Michel Rocard, the French prime minister, has demanded FFr12bn (£1.2bn) in provisional cuts in the national budget to meet extra war costs.

This represents a substantial safety margin over the direct budgetary costs of the war – estimated by the prime minister's office at between FFr5bn and FFr7bn, on the assumption of a "short" war.

The new figure of required savings would include higher indirect budgetary costs of the war, such as increased losses incurred by Coface, the French export credit guarantee agency, and inflated costs of servicing the national debt, through steeper interest charges.

When the FFr12bn cutback figure first surfaced last week, Mr Pierre Bérégovoy, the finance minister, implied the saving would be a negligible amount in relation to the total 1991 budget of FFr1,278bn.

In practice it appears the budgetary effort will be more serious than that, as it will be concentrated on a fairly narrow sector.

Wage costs, which account for nearly half the national budget, will be exempted from the economy drive, as will the cost of servicing the public debt (FFr150bn) and the defence budget (FFr238bn).

As a result the spending ministries will be required to identify savings of 5 per cent in other ordinary expenditure, subject to final arbitration next month by the Finance Ministry and by the Prime Minister's office.

The slowdown in the French economy is further reason for the scale of the prime minister's economy drive. With a probable growth rate of only 2 per cent this year, tax revenues are likely to be relatively sluggish, whereas the government is expected to channel substantial extra public money into job creation schemes, to hold down unemployment.

● France's conservative opposition parties yesterday criticised President Mitterrand for publicly rejecting the use of chemical or nuclear weapons, saying this needlessly abandoned a psychological weapon of deterrence.

Kuwaitis prepare for the ultimate oil disaster

Iraq has mined hundreds of wells. David Thomas and Jimmy Burns report on countermeasures being readied

PRESIDENT Saddam Hussein could seriously damage Kuwait's oil industry if retreating troops carry out his oft-repeated threat to blow up oil wells and refineries. However the Kuwait Petroleum Corporation (KPC) believes the damage can be contained if adequate fire-fighting resources are available.

Most of Kuwait's 1,300 oil wells have been rigged with explosives, according to oil engineers who left the country after Iraq's invasion. Bomb disposal experts say Iraqi army engineerswould be capable of setting charges that would set the wells alight.

However, the scale of the fires would depend on the characteristics of individual fields and on the fire-fighting resources mobilised.

Mr Nabil Akel, a Lebanese-born engineer who worked in Kuwait until October for the Kuwait Oil Company, saw explosives attached to well facilities, known in the industry as "Christmas trees", in the Magwa and Burgan fields.

Burgan, with 460 wells, is the largest and most productive of Kuwait's oil fields. Mr Akel believes that at least 360 wells have been rigged with explosives in that area.

Mr Akel did not have first-hand experience of the northern fields, but friends had told him of seeing explosives rigged to well-head facilities in the northern fields of Rumaila, Mutriba, Sabriya, and Abdali.

The northern fields, together with the smaller fields around Kuwait City such as Khashman, are heavily fortified with Iraqi troops, tanks, anti-aircraft guns and missiles.

KPC, which is operating from London, says that it has no definitive evidence of the extent of potential sabotage of its oil fields, but it has taken the precaution of retaining the services of the world's leading oil-fire fighting companies.

A standard method of putting out an oil field fire is to explode a medium-sized charge of dynamite close enough to the burning well-head to blow the flame far enough from the head to extinguish the fire.

An internal KPC document, prepared in order to brief friendly governments, lists the resources needed to put out an oil field fire in this way as: "Experts, heavy motorised cranes, portable heat shields, water and fire pumps and the right type of explosives."

It says this approach needs only three to six days to carry out if all the necessary resources are at hand. The government of Kuwait had ensured that adequate quantities of all of these resources would be available.

The second method is to cut off the flow of oil to the burning well by drilling a relief well and then pumping cement under high pressure into the burning well.

The KPC document says: "Once all the necessary drilling and cement pumping equipment is in place, controlling a fire by this method might require from one to four weeks." It believes it also has enough equipment to carry out this method.

> The best way to blow up the fields would be to set charges as deep in the wells as possible and then ignite them at a distance

KPC says that no sustained fires would be possible at 550 of its wells, because they lack the natural pressure in their underlying reservoirs for the oil to reach the surface. The oil reservoirs themselves cannot be ignited: it is only oil flowing to the surface under natural pressure which will burn.

The Wafra field on the border of the neutral zone with Saudi Arabia, for example, where fires where reported shortly after the war began, lacks this natural pressure.

Well-head facilities are relatively small and therefore difficult to damage from a distance. The oil wells in Kuwait are spaced at one kilometre intervals on average, which KPC believes is sufficient to avoid damage by bombing raids or even by ground battles in the oil fields themselves.

However, there is little doubt about the ease with which explosives could be rigged to the well-heads. Mr Paul Jefferson, a bomb disposal expert, formerly with the Royal Engineers, who has cleared landmines from Angolan oil fields, says virtually any competent army engineer could set the demolition charges.

Mr Jefferson explains that the best way to blow up the fields would be to set charges as deep in the wells as possible and then to ignite them at a distance either through a timer or a firing cable.

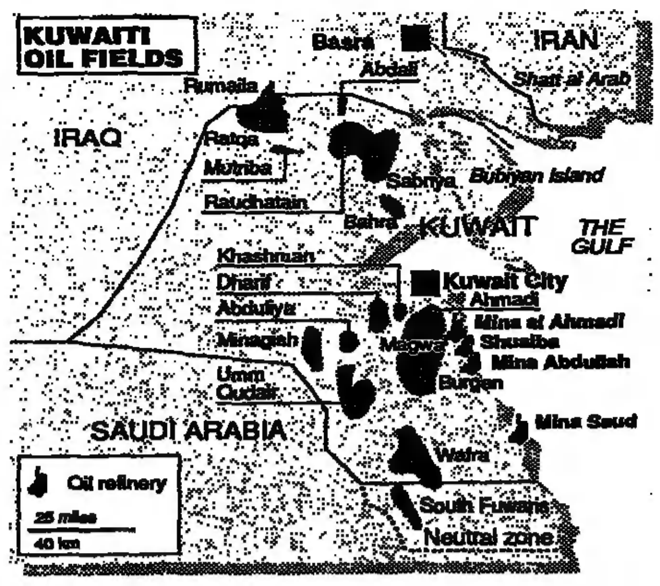
Equally, making any unexploded charges safe would be a relatively straightforward bomb disposal job, Mr Jefferson says.

Difficulties would occur in putting out fires from any exploded wells, however, if the Iraqis had left booby traps. "They would probably booby trap a lot of the other installations, so that the allies would take casualties," Mr Jefferson says.

Other potential hazards could be sulphur-based toxic fumes which are produced by some fields, notably Minagish, according to Mr Akel. "When I was working in Kuwait, to be sent to that field was considered by us engineers as the equivalent of a death sentence," he says.

The Iraqis could also attempt to sabotage the three Kuwaiti refineries at Mina al-Ahmadi, Mina Abdullah, Shuaiba and Mina Saud and their associated crude oil tanks. The largest stockpile of oil would be in the tanks – up to 15m barrels.

However, KPC says there is a well-practised technique of pumping oil out from the bottom of burning tanks into tankers to reduce the amount of oil lost.



Perilous defence of the good life

Peter Bruce examines Spain's divided reactions to its role in the conflict

MR Pedro Ramirez is not fond of Mr Felipe Gonzalez, but even he now confesses a curious sympathy for the Spanish prime minister.

"If Felipe Gonzalez had known 11 years ago that an Arab country would have been subject to mass bombardment from Spanish soil, he would probably never have run for election," Mr Ramirez says.

He is editor of El Mundo, a new Spanish newspaper, and claims its strong stand against war in the Gulf has lifted circulation by up to 40 per cent since hostilities began. Spain remains one of the few large countries in the European Community where opinion polls still show a majority of people opposing the war against Iraq.

Even so, Spain has joined the war. For more than two weeks, US Air Force B-52 bombers have been flying raids on Iraqi targets from the giant runway at Morón air base near Seville in the south, which the two countries jointly use.

The bombers are being escorted part of the way to and from the Gulf by Spanish fighters, based near Madrid, and their bombs are being transported by the Spanish Air Force.

The B-52 deployment has stunned an already angry country. As a measure of the premier's discomfiture, neither he nor the government will say a word about the aircraft. Spaniards, given little information through state-controlled television, are frightened.

They see the rush of Islamic fundamentalist sympathy for President Saddam Hussein – across the western Mediterranean in Morocco, Tunisia and Algeria – as a direct threat. Madrid is being pilloried in many Arab newspapers and in demonstrations.

Tension is high in Spain's North African enclaves of Ceuta and Melilla. It is assumed that any action against King Hassan in Morocco, if successful, would be turned on them. Units of the Spanish Foreign Legion are being shipped to the enclaves this week to reinforce the garrisons already there. From Tarifa in southern Spain, Morocco is just 14km away.

Mr Gonzalez has been persuaded to break his silence over the Gulf, and to try to justify Spain's involvement. He has been irritated by local opposition to the war – and by sniping from some allies, particularly the Italians, over what has been seen as Madrid's meagre contribution to the allied effort.

Spain wants to win a key post-war political role for itself, particularly in the Maghreb, but local politics would simply not tolerate – not yet – Spanish forces fighting in Kuwait.

Last weekend, a Spanish admiral was disciplined for havinglamented the fact that Spain's three warships in the region were being kept away from the action.

The prime minister's early efforts at persuasion have been hesitant and legalistic. One poll, before news of the B-52 depolyment, showed opposition to the war at more than 70 per cent.

Cambio 16, the liberal magazine that ran the poll, was so struck by the result that it published an editorial headlined: Does Spain Exist? It wondered what Spaniards would be prepared to defend, if not the oil that feeds their increasingly luxurious lifestyles.

That question had to be asked "repeatedly, in order that we Spanish stop believing that our destiny on this planet is to enjoy, enjoy, enjoy – and that our problems can be solved by others. With this kind of patriotic baggage, one does not construct a country but a community of idle consumers".

Hwever, determined pacifists such as Mr Ramirez insist: "Spaniards have realised that the war is out of all proportion to the ends it seeks to achieve". Spaniards still retain strong traces of Franco's isolationist legacy but, he adds, "this kind of war is not the way to try to drag them out of isolationism".

The shock of war is perhaps understandable. A remarkably consistent and placatory foreign policy has kept the country out of foreign wars since Madrid lost Cuba and the Philippines to the US in the Spanish American War in 1898.

A latent anti-American feeling in Spain was deepened by Washington's role in the 1950s in legitimising the Franco dictatorship.

"We don't have the same relationship with the US that the British do," says Mr Ramirez. "They have never come to our assistance." People running exchange programmes say some US students have been insulted in Spanish schools since the war started.

Spain and its people, though, seldom ask the hard questions of themselves.

Franco survived because Spaniards tolerated him. Indeed, the Cambio poll showed that less than 3 per cent of the population would risk their lives in defence of their liberty.

Mr Gonzalez may be determined to stick to his guns and provide strong logistic support to the US, but his people are going to take more convincing than most of his European partners might appreciate.

Michael Prowse assesses the US Economic Report of the President

Optimism blooms despite the downturn

THE US is fighting a war abroad and a recession at home. Yet this year's Economic Report of the President is decidedly optimistic. The downturn is portrayed as a temporary interruption to growth – a catching of breath after the hectic 1980s and a prelude to renewed prosperity later in the 1990s.

Mr Michael Boskin, White House chief economist, is sticking by his forecast of a short and shallow recession. He expects growth to resume by the middle of the year and unemployment to hit a peak of only 6.6 per cent – mild by the standards of previous recessions.

Gross national product is expected to increase by 0.9 per cent between the final quarters of 1990 and 1991, three times the rate of expansion in the previous 12 months. The improvement reflects an improvement in labour productivity from minus 0.1 per cent to plus 1.6 per cent. Consumer price inflation falls from 6.2 per cent to 4.3 per cent.

The report is banking on an early and successful resolution of the Gulf war. It downplays worries about the "credit crunch" – the apparent unwillingness of banks to lend – arguing that the Federal Reserve's sharp loosening of monetary policy will bolster consumer and business spending by the summer. Lower long-term bond yields are also cited as a bull factor likely to spur increased investment. Meanwhile, the lagged effects of the steep decline in the dollar in the past 18 months improve the trade balance.

The report notes approvingly that industrial inventories are low, relative to sales, making a prolonged period of inventory liquidation unlikely. Big cuts in production are thus judged unnecessary. By the standards of previous recessions, inflation is also comparatively low, giving the Federal Reserve greater scope to cut interest rates and bolster demand.

This rosy short-term outlook is not out of line with many private-sector forecasts. Indeed, expectations of a rapid recovery led by looser monetary policy are fuelling the strong recent rally in the US stockmarket.

Recent economic data, however, have been uniformly discouraging. Consumer confidence plunged to a new low in January. The latest employment figures were among the bleakest since the 1981-82 recession, with 230,000 jobs lost last month alone. The January purchasing managers' index also fell sharply.

Mr Boskin's medium-term forecasts are also rosy. Real GNP is expected to grow by 3.6 per cent next year and by 3 per cent or more in each of the next four years. Inflation gradually declines to 3.3 per cent in 1996 while the unemployment rate falls back to just over 5 per cent. Short-term interest rates stay at or below 6 per cent from 1992 – far lower than the average for the 1980s.

A key assumption is that labour productivity growth – negative last year – rises to 1.9 per cent in 1992 and remains at that level thereafter. This is more demanding than it sounds: labour productivity growth averaged 0.7 per cent a year between 1973 and 1981, and 1 per cent between 1981 and 1990. The report is assuming a restoration of productivity trends almost to the levels of the prosperous 1950s and 1960s.

This reflects Mr Boskin's belief that the US now has credible, systematic and consistent fiscal and monetary policies. The 1990 Budget Enforcement Act cut the prospective budget deficit by nearly $500bn over five years. It is also seen by the administration as imposing much tougher discipline on spending than the old Gramm-Rudman rules.

The report concedes that the headline budget deficit will rise sharply to $318bn this year but argues this reflects special factors including the recession and the cost of savings and loan bailouts. Excluding S & Ls, the deficit is only slightly over $200bn; adjusted for the economic cycle, moreover, it is already beginning to fall.

The Federal Reserve is expected to pursue supportive monetary policies. This could require a re-assessment of this year's 2½ per cent to 6½ per cent target range for M2, which the president's advisers regard as tight.

Mr Boskin's report, while cogently written, can be criticised for underestimating the risks to the US economy. There is little about the credit crunch and financial fragility and scant recognition of the lack of competitiveness of many US industries. It may also be too optimistic on the federal spending trends – a 5 per cent cut as a share of GNP over five years – that underlies the reduction in the deficit.

ECONOMIC OUTLOOK FOR 1991

Item	*1990	†1991
	% change 4th quarter to 4th quarter	
Real gross national product	0.3	0.9
Personal consumption spending	0.2	0.5
Non-residential fixed investment	0.9	1.8
Residential investment	−8.7	1.5
Federal purchase of goods and services	5.5	−3.9
State and local purchase of goods and services	2.6	1.6
GNP implicit price deflator	4.0	4.3
Consumer price index**	6.2	4.3
Compensation per hour***	−1.8	6.0
Output per hour***	−0.1	1.6
	Fourth quarter level	
Unemployment rate (per cent)****	5.8	6.6
Housing starts (millions of units, annual rates)	1.0	1.2

† Forecast, * Preliminary,** For urban wage earners and clerical workers,*** Non-farm business, all persons, **** Unemployed as per cent of labour force including resident armed forces. Note: based on seasonally adjusted data. Sources: Council of Economic Advisers, Department of Commerce, Department of Labour, Department of the Treasury, Office of Management and Budget

Call for drastic changes in education

By Michael Prowse in Washington

THE generally optimistic tone of the US president's annual economic report is marred by a recognition of deep-seated failings in the US education system.

The report proposes three reforms to improve the performance of schools and raise skill levels in industry:

- Making schools compete for pupils. The report says competition would force schools to innovate and respond more flexibly to changing educational needs. Greater choice can be promoted both by creating more "magnet schools" that focus on particular subjects, such as technology.

- Promoting greater accountability. State and local agencies should develop and publish objective measures of school performance. These should include annual tests to determine student progress, data on drop-out rates and competency tests for high school graduates.

- Relaxing certification requirements. The report argues that many talented individuals do not enter teaching because of onerous requirements. The report says the main requirement should be a bachelor's degree plus a minimal level of practical training.

The president's advisers say a shortage of resources is not the cause of educational problems. The US spent $5,172 per pupil in 1989 – more than almost any other country. Spending per pupil has risen 28 per cent in real terms since 1982. However, the report draws attention to a short school calendar; US schools are open for only 180 days a year, compared with 226 to 240 in Germany and 243 in Japan.

The report notes that the high school drop-out rate has risen to 28 per cent. The proportion of higher education colleges obliged to offer remedial courses has risen from 79 per cent in 1980 to more than 90 per cent. High school students on average do only 3½ hours of homework a week but watch 24 hours of television.

Colombia imposes special taxes to combat guerrillas

By Sarita Kendall in Bogotá

PRESIDENT César Gaviria of Colombia has imposed special war taxes to help the armed forces counter an offensive by left-wing guerrillas.

These will be levied on oil, coal, gas and nickel exports, and on international telephone calls. Also, those paying more than 1m pesos (£850) in annual income tax will face a 5 per cent surcharge.

Under the decree, oil companies operating in Colombia will have to pay a surcharge of the equivalent of 55 US cents for every barrel of oil they produced in 1990.

The government hopes to raise the equivalent of nearly £50m, to be spent on new mobile brigades, military equipment and the protection of bridges, pipelines and other potential guerrilla targets.

Gaviria: Fighting the left

The National Planning Department calculates that, if the attacks continue at the present level over the next three or four months, GDP growth this year could be cut by about half of 1 per cent. The present forecast for 1991 growth is 2.5 to 3 per cent.

The guerrilla groups, which have some 6,000 to 10,000 combatants, launched an offensive last Tuesday to protest against their exclusion from a national assembly now reforming the constitution. They have cut communications, gas supplies and electricity in several parts of the country, and burned buses, trucks and fishing boats.

The Defence Ministry said that, so far this year, 328 people had been killed in attacks by the Marxist Colombian Revolutionary Armed Forces and the National Liberation Army.

In a recent statement which seemed to meet guerrilla conditions for talks, Mr Humberto de la Calle, interior minister, said the government accepted international supervision to monitor any ceasefire pact.

He said he expected the guerrillas to suspend their attacks, now that the government had named its negotiators, but violence was continuing.

Bank capital standards 'may tighten loans'

By Peter Riddell, US Editor, in Washington

US BANKS might have to restrain their lending further, unless the internationally agreed Basle framework of minimum capital standards for banks is urgently revised, the Bush administration warned yesterday.

New minimum capital standards for banks in the main industrial nations are being phased in over two years, starting from last January 1, under an agreement between central bank governors to make requirements more consistent.

The annual economic report of the president, published yesterday, says these standards "will require some US banks either to shrink in size or to raise additional capital during that period."

Presenting the report, Mr Michael Boskin, chairman of President George Bush's council of economic advisers, has suggested that the coincidence of the first stage of implementation with the onset of recession may have resulted in a cut in lending to industrial and commercial companies, as banks adjusted their activities to conform to the new standards.

The administration's complaint is that the standards are focused too much on credit risk – that is, primarily the quality of loans to industrial and commercial companies – rather on interest rate and foreign exchange risk. Banks have sought to adjust to this concern with credit risk by restraining business loans, thus contributing to the widely discussed credit crunch in the US.

The report supports continuing initiatives by central bank governors to realign international capital standards more accurately to reflect different types of risk, notably interest rate risk. This is the risk faced by banks on the change in value of assets when interest rates change.

Last week's Treasury report on bank reform went further in arguing that the issue is "too important to wait for a new international agreement. US bank regulators should develop a reporting system here [inside the US] within one year, which would form the basis for a system to adjust capital for interest rate risk."

This follows recent proposals from the Office of Thrift Supervision, which monitors the savings and loans institutions, for a rule on interest rate risk capital.

The Treasury's concern over capital standards reflects a broader difference of emphasis between the administration and the Federal Reserve.

The Treasury's bank reform proposals specifically rejected any raising of capital standards. Instead it urged a strengthening of the role of capital through changes in regulations to provide more incentive for banks, both to maintain strong levels of capital and to attract new capital from other sources.

However, the Fed has several times raised the possibility of going further than the Basle standards. Mr Alan Greenspan, Fed chairman, has testified to Congress: "The prospective increasingly competitive environment suggests that the minimum level of capital called for by the 1992 [Basle] requirements may not be adequate, especially for institutions that want to take on additional activities.

"If our financial institutions are to be among the strongest in the world, let alone if we are to avoid an extension of the taxpayers' obligation to even more institutions, we must increase capital requirements."

Carnival covers Brazil's 'biggest bank robbery'

TWENTY men armed with pistols and machine-guns robbed a bank in northern Brazil and made off with the equivalent of $12m, AP reports from Rio de Janeiro.

This was the biggest robbery in Brazil's history – while the country was distracted by its annual carnival, which peaked last night, Shrove Tuesday.

The robbers overpowered security agents early on Monday at the regional headquarters of the state-owned Bank of Brazil in Belém, near the mouth of the Amazon river and 2,140 miles north-west of Rio, reported the TV Globo network.

It said the robbers used a blowtorch to open a steel door.

Police set up road-blocks at main exits from the city but no-one had been arrested, Globo reported. Six recently-hired bank employees were suspected.

Globo said the stolen money was to have been distributed to regional branches today, ready for the first banking days after carnival. Police feared it would be difficult to recover the money as only a small part was in numbered sequence.

UK company link gains passport points in HK

By John Elliott in Hong Kong

KEY EMPLOYEES of 700 Hong Kong companies with British connections are to be given special treatment in the next few months, when UK passports are issued on a personal points system to 43,200 heads of household in an attempt to stem the colony's brain drain.

The companies' names were announced yesterday. They include local Chinese-controlled groups such as Hutchison Whampoa and Wharf Holdings, corporations with partial British associations such as the Hongkong and Shanghai Bank, and local offshoots of UK-based concerns such as solicitors' firms, Barclays Bank and Inchcape.

They were chosen because of their involvement with the UK through their incorporation, share ownership, management, trade and joint ventures. These criteria were chosen to give as wide a spread as possible, in a colony where a large proportion of companies have a mixed British and local Chinese base.

The government hopes that publication of the 700 names will help to encourage people to apply for passports before a deadline of February 28. So far, fewer than 7,000 people have applied for passports, which is much less than had been expected; 750,000 application forms have been printed.

The number is expected to escalate next Monday after this week's Chinese New Year holiday. Many people have been delaying their submissions, hoping to gather more information and improve their chances.

The total could, however, still be far less than had been expected. Many companies say they are surprised by the number of key employees who already hold foreign passports.

Some people are also said to have been worried by attacks on the scheme mounted by Peking, which regains sovereignty over Hong Kong in 1997.

- Hong Kong's domestically produced exports grew by 1 per cent last year, a marginal improvement on 1989 when there was virtually no growth. Re-exports of goods processed elsewhere, mainly in southern China, grew by 20 per cent compared with 19 per cent in 1989. This indicates only a fractional economic recovery last year, with an increase for total exports of 12 per cent to HK$639.87bn (£41.25bn). Imports grew by 14 per cent to HK$642.53bn.

Indian economic growth dips as inflation rises

By David Housego in New Delhi

INDIA'S economic prospects have dipped, according to newly published official statistics, which reveal diminishing growth and accelerating inflation.

Industrial growth, which averaged 8-9 per cent a year in recent years and has been an important motor of the economy, registered only a 2.2 per cent increase in November as compared with the same month the previous year.

By contrast inflation, which a year ago was still only 6 per cent on an annual basis, doubled to over 12 per cent at the end of January, on the basis of the wholesale price index.

Leading manufacturing sectors – such as vehicles, engineering and electronics – are experiencing a more severe squeeze than the official figures would suggest.

Bajaj Auto, the country's largest two-wheel vehicle manufacturer, has cut production by 30 per cent.

Ashok Leyland, the car and bus manufacturer, says that sales have fallen by 20 per cent and that it will cut production in March if demand does not pick up.

Shortages of diesel and petroleum products, tax and import duty increases, curbs on government expenditure and political uncertainties – all have added to manufacturing's more depressed outlook for sales and production.

One of 1.5m census takers questions a New Delhi slum family yesterday. The population is believed to be about 860m.

Mr Yaswant Sinha, the minister of finance, says that increased oil prices account for three percentage points in the accelerating inflation rate.

The sharp rise in prices also reflects a build-up in liquidity that has come from a succession of budget deficits averaging 9 per cent of GDP a year.

The new figures come at a moment when the administration of Mr Chandra Shekhar, the prime minister, is drawing up the 1991-92 budget, to be presented to parliament at the end of the month. The government wants to deflate the economy to bring down inflation and improve the balance of payments while avoiding an industrial recession.

The finance minister in December, when announcing Rs12bn (£324m) of additional corporate and indirect taxes, said the government would hold the deficit this year to 8.3 per cent of GDP. He said this would be further cut to 6.5 per cent in 1991-92 as part of what he hoped would be a transition to deficits of 3-4 per cent of GDP over a period of three years. The targets were announced as a prelude to India's borrowing from the IMF.

Chinese dissidents jailed for 13 years

TWO leaders of China's pro-democracy movement, crushed in 1989, were sentenced to 13 years in jail yesterday, the official New China News Agency said, Reuter reports from Peking.

Chen Ziming and Wang Juntao, condemned by the government as "black hands" who masterminded the demonstrations in June, 1989, were convicted of inciting to subvert the government and the socialist system.

Chen, 37, had been on hunger strike since Thursday to demand more time to prepare his defence. Wang, 32, who is believed to be suffering from hepatitis, was reported by friends to have been in hospital recently. The two were found guilty of bringing together illegal organisations and conducting "a series of activities to subvert the government".

Peking recalls southern liberals

Peking is stepping up the recall of long-serving officials from Hong Kong and the southern Chinese province of Guangdong, in an attempt to increase discipline and reduce the influence of liberals, John Elliott reports from Hong Kong.

The latest to be recalled is Ji Shaoxiang, head of Peking's foreign affairs department in Hong Kong, who returns to the Chinese capital at the beginning of next month after ten years in the colony. Ji has been the senior spokesman and diplomatic negotiator at the Xinhua News Agency in Hong Kong.

His former boss, 75-year old Xu Jiatun, flew secretly to the US with members of his family last May and has resisted attempts by China to persuade him to return home.

Taiwan fails to meet growth target

Taiwan's economy grew by 5.29 per cent last year, short of the government's original 7 per cent target and well below the previous year's 7.33 per cent, according to initial figures released yesterday, Peter Wickenden writes from Taipei.

South African talks resume on the release of prisoners and return of exiles

De Klerk and Mandela try to end deadlock

By Patti Waldmeir in Johannesburg

PRESIDENT F.W. de Klerk, and Mr Nelson Mandela, deputy president of the African National Congress (ANC), met yesterday for talks aimed at breaking a deadlock over the release of political prisoners in South Africa and the return of exiles.

The two issues and the related matter of the ANC's suspension of the armed struggle have prevented a start of negotiations on a new constitution.

Neither side would comment on the outcome of the talks, which took place in Cape Town. Under a deal reached six months ago, the ANC said it would suspend armed action in return for a commitment from Pretoria to release political prisoners and allow as many as 30,000 exiles to return by April 30.

Since the accord was signed, the two sides have disputed details of the agreement, such as whether the ANC is allowed to continue military recruitment and training during the suspension, and what type of mass protest is permitted.

For example, government officials expressed concern last week when Mr Mandela threatened to turn South Africa "upside down" if the European Community carried through its intention to begin lifting sanctions; this issue may have been raised at the meeting. For its part, Pretoria has linked action on prisoners and exiles to the resolution of the above issues.

Government officials said recently they believed agreement in principle could be reached in time to meet the April 30 deadline, although all exiles would not have returned by that time. Yesterday Mr Joe Slovo, a senior ANC official, spoke optimistically about prospects for a political settlement between Pretoria and the ANC, adding that the gap between the two sides was narrowing. Yesterday's Cape Town meeting may help to clear the air.

Meanwhile, the trial of Mrs Winnie Mandela, the ANC leader's wife, is to go ahead today in Johannesburg after a key state witness agreed to testify in open court. The witness, Mr Kenneth Kgase, was persuaded to testify after consultations with lawyers. Earlier the prosecutor told the court that Mr Kgase and other state witnesses were "scared to testify" after the disappearance on Sunday of another prosecution witness from Soweto.

The Johannesburg Star newspaper said yesterday that that witness, Mr Gabriel Mekgwe, had been seen leaving a church mission house on Sunday in the company of members of the ANC. The ANC said in a statement that it "rejects any imputation that it is organisationally implicated in the disappearance of Mr Mekgwe".

Thais offer power investment

By Paul Taylor, Asia Business Correspondent, in Bangkok

THAILAND'S government has approved private sector investment in the country's electricity industry, the first time such permission has been granted.

The decision, taken by the powerful National Energy Policy Committee chaired by Mr Chatichai Choonhaven, the prime minister, represents the first step towards a partial privatisation of the Electricity Generating Authority of Thailand (Egat), the state-owned electricity monopoly.

Against fierce opposition from the electricity workers, the move means that private sector investors will be invited to enter joint venture bids for contracts to build, own and probably operate 12 power stations with a generating capacity of 5,500 megawatts worth an estimated 200bn Baht (£4.1bn).

Under the plan, private investors will be offered a 49 per cent stake in each of the 12 power station projects with the government holding a 49 per cent stake and the 2 per cent balance held by the Crown Property Bureau.

Although it seems likely that the contracts will be awarded on a build-own-operate basis it is also likely that the operators will be required to sell the power stations' output to Egat, maintaining Egat's distribution monopoly.

The committee's decision represents a partial victory for Thailand's Finance Ministry and the National Economic Social and Development Board which have been pressing for privatisation of Egat to help raise the substantial capital needed to expand the country's electricity generating capacity to meet growing demand, and as a means to improve efficiency.

Egat, backed by its workers, has argued that private sector involvement would be "unconstitutional" and challenged assertions that the private sector could produce electricity at lower costs. Last week the electricity union threatened a nationwide strike if the government allowed the private sector to operate power plants.

A number of foreign companies from Australia, Sweden, Switzerland, US, Japan and France are understood to have expressed interest in investing in power station projects.

WORLD TRADE NEWS

Israelis protest at Japan's Mideast banking blacklist

By Hugh Carnegy in Jerusalem

ISRAELI companies and officials involved in trade with Japan yesterday voiced strong complaints that Japanese banks had ceased doing business with Israel since the outbreak of the Gulf war last month, severely disrupting growing bilateral trade.

They said the source of the dispute was the inclusion of Israel on a list of 11 Middle East countries which the Japanese Bankers' Association had recommended should be avoided by its members during the war. The Israelis protested that the recommendation was unjustified, saying no other country had acted similarly.

Mr Elchanan Harel, chairman of the Israel-Japanese Chamber of Commerce, said the move by the banks, and the suspension of postal links, had brought trade worth almost $1.5bn (£760bn) last year to a virtual standstill as transactions, such as obtaining letters of credit and money orders, were halted.

In a letter to Mr Masaya Miyoshi, president of Keidanren, seeking help in reversing the banks' action, Mr Harel said it was "a most disappointing situation which jeopardises the business and trade relations between the two countries".

The Japanese embassy in Tel Aviv said it had pressed the government in Tokyo to have the recommendation to the banks reversed following many complaints from Israeli companies. It said both the postal service and banking services were returning to normal.

But Israeli businessmen, and the Foreign Ministry which joined in the protests, said they had not so far detected any change among the banks. Instead, companies and their Japanese trading partners have begun seeking banking facilities from US and European banks eager to take business from Japanese competitors.

"I will do my best to avoid Japanese banks from now on. I feel very strongly about it," said Mr Emmanuel Ben Sour, an Israeli importer.

Japan has become one of Israel's most important export markets despite, what Israel says, is the refusal of big Japanese companies to trade for fear of falling foul of an Arab boycott of businesses with links to Israel. Companies such as Toyota, Mazda, Nissan, NEC and Japan Airlines have no direct links with Israel.

But the value of trade has doubled over the past five years with Israel achieving – on paper at least – the rare distinction of a trade surplus with Japan. Israeli exports totalled $870m last year, against direct imports of $550m, Mr Harel said. Equally remarkable, Israeli banks are net lenders to Japan due to large deposits held with Japanese banks for local regulatory reasons.

The trade picture is distorted, however, as some 75 per cent of Israeli exports are in the form of polished diamonds, while many Japanese imports come in via third countries. Non-diamond Israeli exports are mainly comprised of software products, pharmaceuticals, food and chemicals.

US signals need for trade round

By Nancy Dunne in Washington

MR Clayton Yeutter, the US agriculture secretary, has acknowledged that an extension of the Uruguay Round is "desirable" providing that the EC commits itself to serious negotiations.

On Monday, Mr Yeutter gave the most enthusiastic reception yet by a US official to proposed reforms in the Common Agriculture Policy. They are, he said, "truly mind-boggling as compared to anything that's been contemplated there for the last 20 or 30 years."

The Bush Administration has not yet publicly asked Congress for an extension of its vital fast-track negotiating authority for the Gatt round, but seems intent upon using the March 1 deadline for that request, to gain as much as possible from the EC.

A spokesman for the US Trade Representative yesterday said no proposal has yet been seen by the EC which would cause the Administration to request the extension.

However, Mr Yeutter's laudatory could be an attempt to prepare for that request. He warned that without agreement, spending on export subsidies would increase and there would probably be additional protectionist barriers.

Sweden to lower barriers on investment

John Burton explains why curbs on foreign ownership are about to be eased

SWEDEN'S Social Democratic government is expected soon, possibly tomorrow, to begin lifting the barriers that prevent foreigners from acquiring most of the country's key industrial concerns.

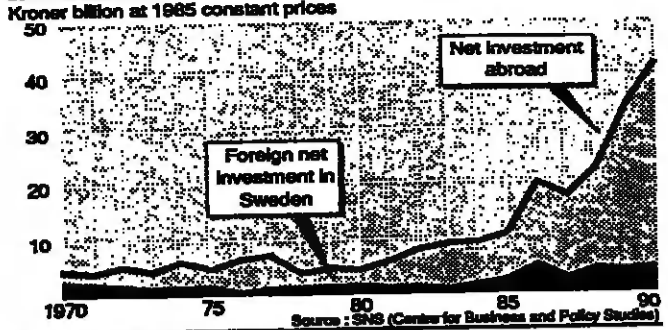
The easing of foreign ownership restrictions follows the government's recent decision to submit an application for Swedish membership of the European Community. It also allays concerns that Swedish companies could face increasing difficulty in acquiring EC-based companies if Sweden were seen as protectionist.

Mr Allan Larsson, the finance minister, expressed these worries when he announced the planned changes in last month's budget statement. "In recent years, Swedish companies' investments abroad have increased sharply. There has not been any equivalent increase of foreign companies' investment in Sweden. Swedish regulations covering foreigners' acquisitions of Swedish companies should be adjusted to the situation that is being created through greater internationalisation."

Swedish net direct investment abroad amounted to SKr80.5bn (£7.4bn) for the first eleven months of 1990, according to a preliminary estimate by the central bank, with companies from Sweden being the biggest cross-border buyers of EC-based concerns among all nations last year. By contrast, foreign net direct investment into Sweden amounted to a paltry SKr12.5bn over the same period.

Swedish investment

Kroner billion at 1985 constant prices



Source: SNS (Center for Business and Policy Studies)

With Swedish companies shifting their investment to the EC in anticipation of a unified market from early 1993, the government is concerned that domestic ventures will be starved of new capital unless foreigners are allowed greater access.

The figures for net foreign investment in Sweden, which fluctuated between SKr3.5bn and SKr9.5bn during the late 1980s, are already artificially inflated. Companies from Norway and Finland are normally the biggest foreign investors in Sweden, but the statistics have been boosted by Swedish-owned and managed concerns that are legally based for tax reasons in Switzerland or the Netherlands.

The SKr3.9bn leveraged buy-out of Swedish Match's consumer products division in 1989, for example, was considered a foreign investment because the consortium behind the deal is located in Switzerland, although most of its owners are Swedish institutional investors. Last month's SKr16.25bn acquisition of Alfa-Laval by Tetra Pak, owned by the Rausing family of Sweden, is also considered a foreign investment since Tetra Pak, which was founded in Lund, Sweden, has been based in Switzerland since 1982.

The government has not yet released details about changes in the foreign ownership rules, although proposals could be contained in industrial policy legislation which should be unveiled tomorrow.

A likely first step would be to abolish rules that require the government to approve foreign investment every time it exceeds 10, 20, 40, or 50 per cent of a company's share capital or votes.

Although Sweden often allows foreign takeovers, critics contend that the approval procedure discourages some foreign companies from investing in Sweden. The government, however, is likely to retain the right to review and bar foreign takeovers that involve "national security".

In addition, the government may eliminate corporate bylaws that restrict foreign ownership to 40 per cent of equity and 20 per cent of voting power. Most, but not all, of Sweden's biggest companies have such ownership restrictions, as do the banks, which were completely protected against foreign investment until last year.

The system has resulted in the creation of two categories of Swedish shares: "restricted", which can only be bought by Swedes, and "free", which can be acquired by foreigners.

The government does occasionally grant exemptions, for example when Renault last year acquired stakes above the permissible level in Volvo as part of an extensive cross-ownership arrangement.

Some companies, such as Electrolux, Ericsson and Atlas Copco, have dispensed with the foreign ownership limits to give them more flexibility in attracting overseas capital. But they remain firmly in Swedish hands due to the country's system of differentiated shares, considered the toughest barrier to foreign takeovers.

The differentiated share system, in which A shares have 10 to a 1,000 times the voting strength of common B shares, has allowed Sweden's powerful financial families, such as the Wallenbergs, and institutional investors to keep tight ownership control over companies, even with small equity stakes.

Reform of the differentiated share system is not a welcome prospect for government and union officials or large shareholders, since it could mean foreign raiders acquiring some of the country's most important companies. This could disrupt the close co-operation between the government, industry and the trade unions, and cause the break-up of several industrial constellations.

Tokyo tells farmers to end scare campaign against dairy imports

By Robert Thomson in Tokyo

JAPANESE farmers' groups have been told by government officials to end an advertising campaign suggesting foreign dairy products are unsafe and arguing that import restrictions should not be eased.

The campaign, which began late last year, drew formal complaints from the European Community office in Japan and other dairy exporting countries, and the contents of the advertisements have been examined by Japan's Fair Trade Commission (FTC).

It was designed to stir opposition to the liberalisation of the Japanese dairy market, which is partly open to imports in some sectors and remains closed, or under very tight control in other areas.

Newspaper advertisements placed by the Central Council of Dairy Farmers showed a Japanese farmer and a group of citizens, each of whom made comments in praise of the domestic industry or cast doubt on the quality and safety of foreign products.

One advertisement quoted a 42-year-old housewife as saying that "we can't put imported foods in our mouth because the production processes are unclear", and so "we must protect the highly reliable Japanese dairy farm".

A 36-year-old woman was shown saying: "You know what happened with the Chernobyl accident, so we feel doubtful about imported foods."

EC officials complained to Japan's Agriculture Ministry that products exported from the Community are subject to stringent safety checks and that production methods are very similar to Japan's.

The ministry was told that high Japanese tariffs on imported cheese and the state controls on many other dairy products have limited the choice available to consumers, who, the EC argued, could be prompted to shun all dairy products by such scare campaigns. Japanese imports of dairy products totalled about $246.8m (£126.5m) in 1989, with New Zealand, Germany, Australia, and Denmark the leading exporters.

The Japanese government has argued at multilateral negotiations under the General Agreement on Tariffs and Trade (Gatt) that tough restrictions should remain on dairy products in the interests of "food security". Tokyo has used the same argument in campaigning against rice imports.

'We cannot put imported food in our mouths as the production processes are unclear to us'

Japanese dairy farmers had hoped that the campaign late last year would inspire popular opposition to increased liberalisation, and the initial advertisements invited consumers to send messages supporting Japanese products to the Dairy Farmers' Council, which planned to present gifts to 10,000 supporters.

The "National Milk Popularisation" campaign, as it was called, has apparently been halted under pressure from the Agriculture Ministry and the FTC, which has suggested that the advertisements could violate the advertising code.

"Generally speaking, these advertisements do not prove that foreign products are inferior to domestic products, so they can't make that claim. Japanese consumers may be unfairly influenced by these claims," an FTC official said yesterday.

Poland to privatise state airline and retail stores

By Christopher Bobinski in Warsaw

POLAND'S cautious road to privatisation yesterday received a fillip with the announcement that LOT, the state-owned airline, and Pewex, the country's largest chain of retail stores would be privatised.

However, LOT, in common with other airlines is recording a serious fall in passenger traffic and high fuel prices, and is unlikely to attract many western bidders largely because the aircraft are Soviet-designed.

Pewex appears a more attractive proposition. Last year it recorded a turnover of almost $1bn (£500m). Mr Marian Zacharski, the director of Pewex, reports that sales by the chain rose by 40 per cent in January compared to the same month last year.

Pewex, once Poland's only hard currency retailer, switched last month to sales in the Zloty. One third of the sales last year consisted of consumer electronics. Profits after tax totalled $100m. Mr Zacharski said Pewex wants to allocate 49 per cent of its shares to western companies, 20 per cent to employees and the rest to domestic investors.

The decision to press ahead with the privatisation of LOT will require a change in Polish law. Current legislation stipulates that LOT, once an integral part of the Warsaw Pact's transport system, should remain under state control.

The privatisation of LOT, however, appears to go beyond the need to raise extra capital which is seen as crucial to modernise the airline and make it more competitive.

The authorities may want to privatise in order to avoid pay restrictions on state sector companies which are already depressing incomes for LOT's qualified staff.

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Germany raises status as big foreign borrower

By David Marsh

UNDERLINING its new-found status as a big foreign borrower, the German government raised DM7.5bn (£2.6bn) abroad last autumn through issues of promissory notes launched to fund the rising cost of German unity, according to Bundesbank statistics.

The foreign fund-raising between August and November, made through a series of issues for the German Unity Fund and the East German Finance Ministry, formed part of overall borrowing to cover the burgeoning German budget deficit. Bonn Finance Ministry officials say that the lion's share of the new foreign borrowing was carried out through international banks based in London.

Mr Theo Waigel, the finance minister, last summer vehemently denied reports that Bonn was considering special borrowing to raise funds from foreign lenders to cover the costs of absorbing East Germany. However, during the last six months the Finance Ministry has launched a spate of issues of *Schuldscheine* (promissory notes) on behalf of the federal government for the first time since 1984.

Previous restrictions on transferring *Schuldscheine* to foreign investors have been dropped during the last few months. This means that the promissory notes – a traditional German form of credit financing for the public sector, which are normally sold to banks – are now free to be passed abroad.

The Bundesbank statistics show that net foreign borrowing by the public sector through *Schuldscheine* between August and November came to DM4.5bn. This was because the gross outflow of DM7.5bn in notes was offset by around DM3bn in redemptions and repatriation of notes to Germany.

The last few months have represented the first time that Bonn has surfaced as a large net foreign borrower through *Schuldscheine* since 1983, when sizeable quantities of promissory notes were sold to Saudi Arabia.

Saudi Arabia, which bought billions of D-Marks worth of *Schuldscheine* in the early 1980s to help Germany cover a temporary current account deficit, is still being regularly offered the chance to subscribe to new issues.

Finance Ministry officials said last night however that the Saudi Arabian Monetary Agency was currently not buying D-Mark notes as it needed to keep funds liquid on account of the Gulf war.

Ministry attempts to ease east's telecoms bottleneck

By David Goodhart

THE German Post Ministry is expected within the next few months to give the go-ahead for a third cellular telephone system to ease the telecommunications bottleneck in east Germany.

The third system, to be run by a private sector consortium, will belong to the PCN (Personal Communications Network) generation of cellular telephones.

It will use a higher frequency range than the two D-net digital systems, one run by state-owned Telekom and the other by a private sector consortium led by Mannesmann, which are due to start operating later this year.

Officials in the Post Ministry say that Mr Christian Schwarz-Schilling, the minister, had always planned to grant a licence for such a system but the telecommunications problems in east Germany were bringing the decision forward.

Mannesmann is locked in dispute with Telekom over payment for the lines which it has to lease from its state-owned competitor to link the digital system to the public network.

The Post Ministry is due to make an adjudication by the end of the month, which will be a test of its independence from Telekom, its wholly owned subsidiary.

It will also set an important pricing precedent. Mannesmann argues that leased lines in Germany cost more than four times the OECD average and is prepared to pay little more than that average.

Telekom says that would amount to a huge subsidising of Mannesmann. The company claims that between 20 and 40 per cent of running costs will be determined by Telekom's leasing rates.

Regarding the decision to license a third cellular phone system, the Telekom-owned C-net analogue radio telephone system currently operates in small pockets of east Germany and should cover the whole of the former state by the end of the year, when the two D-net systems also start operations.

Because of east Germany's problems, the Post Ministry is also temporarily waiving its voice monopoly and allowing private companies to operate satellite telephone links, at least where it can be shown that Telekom cannot provide a connection quickly enough.

So far only one licence has been granted, to Preussen-Elektra, the utility owned by Veba.

Bundesbank states its 'solidarity with dollar'

By Katharine Campbell in Frankfurt

THE BUNDESBANK, at pains to repair damage caused by what it said was a misunderstanding of its foreign exchange intervention policy, yesterday joined other central banks in an "act of solidarity" to support the dollar.

An interview by Reuters news agency on Monday with Mr Helmut Schlesinger, deputy president of the Bundesbank, suggested that the German central bank was not in favour of intervention to support the dollar. This sent the US currency to new lows of DM1.4450, unleashing a wave of dollar purchases by the Federal Reserve.

Yesterday, Mr Schlesinger told the Financial Times that intervention did have a role to play in calming markets. Justifying the Bundesbank's presence on the foreign exchanges, he explained that, with the dollar at DM1.4450 despite Monday evening's purchases, "the Bundesbank continued intervening this morning as an act of solidarity".

He repeated his contention that "generally it is more convincing for the market if foreign exchange rates find their level without central bank intervention". But Mr Schlesinger added that the equilibrium he had made clear he was referring to in Monday's remarks was one pfennig higher than the rate at which the Bundesbank intervened.

Tensions between the Group of Seven industrial nations have sharpened since the Bundesbank, raised interest rates half a point two weeks ago, a move followed 24 hours later by a lowering of official rates in the US.

The Bundesbank remains basically unconcerned by the dollar's further decline that occurred as interest rate differentials opened up, since it cherishes a strong D-Mark as its best weapon for fighting incipient inflationary trends.

Soviet premier rules out the radical route

MR Valentin Pavlov, the new Soviet Prime Minister, is determined to prove that he is a man of action and decision, even if the actions he is set on will prove bitter and painful to the Soviet people, writes **Quentin Peel in Moscow**.

At the same time he is a populist, prepared to persuade his audience that he can deliver economic reform fast, with compensation for all, if they will only keep quiet.

His decisiveness has already been proved. Within days of being promoted from finance minister to premier, he had introduced money reform, abolishing the Rbs50 and Rbs100 banknotes, in a desperate attempt to curb excess money supply. He insists there are more measures to come, but they will not add up to a shock therapy transition to a market economy. That is totally excluded.

His extraordinary interview, published yesterday by Trud, the trade union newspaper, sets out in clearest detail yet the extent to which President Mikhail Gorbachev's government has retreated from radical market reform.

Apart from his diatribe against foreign banks and businessmen, whom he accused of trying to destroy the Soviet economy, Mr Pavlov unveiled a strategy of forced modernisation of industry, a switch back from consumer goods to heavy industry, strict limits on privatisation, and a rejection of private land ownership as a recipe for civil war.

He produced a figure for the collapse of Soviet production – down in January by no less than 50 per cent against January 1990 – which Goskomstat, the state statistics committee, was unable to confirm or deny.

"That means that last month we lost more than 4 per cent of our annual production," he said. "If we do not deal effectively with this, by March we will have such a great slump in production that society will find itself on the verge of collapse. That is not a political trick. It is an economic forecast."

Mr Pavlov flatly rejected the "radical" plans for a crash transition to a market economy, and sweeping privatisation of the state sector. "Our radicals are calling us back to the market of the late 19th century," he said. "They want to drag society through shocks and traumas. We are categorically against that. We have had enough traumas.

"The market is a means to reaching an end, not an end in itself. . . apart from the market, the country needs a programme of forced modernisation of industry. Our strategic aim is a highly efficient mixed economy. . . the question is what should be mixed with what."

FRANCE yesterday offered the Soviet Union FFr3bn (£306m) in credit to buy French factory equipment and grain, Reuter reports from Paris. Mr Pierre Bérégovoy, the finance minister, said France deplored the recent use of force in the Baltic republics but that internal tensions should not impede trade.

His answer is to preserve the heavy industrial foundation of the Soviet economy, forcibly modernise it, and encourage the growth of small-scale private businesses around its edges.

"We should take off our hats to our fathers and grandfathers for this sacred accomplishment," he said. "It is inadmissible to destroy what has been created by them. "The government does not reject privatisation, but we cannot even contemplate selling off the means of production and fixed capital created by generations, to shadow dealers and moneyed fat cats."

Mr Pavlov said price reform was inevitable – indeed he admitted that prices were already rising rapidly in most parts of the Soviet economy – but full compensation for all increasesin prices of both food products and basic consumer goods must be paid, in advance, to all workers.

His defence of state enterprise and heavy industry will appeal above all to the military-industrial complex, the most powerful lobby against radical market reform.

He also rejected disbanding collective farms, whose directors are another key part of the conservatives surrounding Mr Gorbachev. His promises of compensation will appeal to the official trade unions.

Finally, he promises a rapid switch to partial convertibility of the rouble, the introduction of a *chervonets*, as in the 1920s, a gold-backed rouble. He said that every ordinary citizen would be able to earn them, and change them for foreign currency to buy consumer goods or travel abroad.

Yet that rosy prospect was held out on one critical condition: that all the political squabbling, the fight between the centre and the republics, and the growing inter-ethnic turmoil, must stop. Perhaps Mr Pavlov knows that the opposite is more likely to be true.

Soviet troops continue the march home

Judy Dempsey and **John Lloyd** assess the military withdrawal from eastern Europe

THE crackdown in the Baltic republics and the growing assertiveness of the Soviet military have rekindled fears about a possible backlash in eastern Europe.

Yet despite these developments, it seems unlikely that the Soviet military will attempt to reassert its control over eastern Europe, or that it will delay the withdrawal of Soviet troops from the countries of eastern Europe.

These views, expressed by several diplomats from eastern Europe, are confirmed by the scheduled withdrawal of troops from Czechoslovakia and Hungary, worked out in intergovernmental agreements with Moscow last year. Earlier this month, Mr Lubos Dobrovsky, the Czechoslovak minister of defence, said "the last military forces of the Soviet army are to leave by the end of February and the non-military sections by the end of June."

Mr Michael Kocab, chairman of the parliamentary commission for the supervision of the Soviet Army withdrawal, added that 16,500 Soviet soldiers remain on Czechoslovak territory, along with seven Soviet transport planes, 71 tanks, 266 armoured vehicles and 21 non-combat helicopters.

In Hungary, a spokeswoman for the foreign ministry confirmed that all the remaining troops, which number less than 19,000, would be withdrawn "by the end of July." However, both countries are involved in tedious negotiations with Moscow in attempts to seek compensation from the Soviet Union for damages during its occupation.

"We do not believe that the Soviet military would remain or re-invade eastern Europe. The darkest of Soviet hardliners would not be unaware of the consequences," said a Hungarian diplomat. "Of course the crackdown in the Baltic republics made the public nervous. It is a psychological feeling. We will not relax until all the troops have left our country," she added.

The situation in Poland is less straightforward. Unlike Czechoslovakia and Hungary, the Polish government has no treaty with the Soviet Union for withdrawing the 40,000 troops.

"We are insisting on a date for the complete withdrawal of all these troops," explained a Polish diplomat. "We are proposing that it be completed by the end of this year; and at the latest, by mid-1992. At the moment, the Russians are refusing to specify a date. Until now, they have insisted that the complete withdrawal will take place in 1995, after the 350,000 Soviet troops from eastern Germany have been withdrawn."

Yesterday, Mr Lev Klepacki, the Soviet chargé d'affaires in Warsaw, said the withdrawal of Soviet troops from Poland would start next May "and from our point of view, it must be a gradual process which we propose to be finalised in mid-1994."

Fixing a date has been further complicated by Poland's insistence that the Soviet authorities should pay transit fees for withdrawing troops from eastern Germany. "I hope these issues will be discussed this week between Moscow and Warsaw," the diplomat said.

Viewed from Moscow, threats of a Soviet clampdown on eastern Europe seem even more unlikely.

Mr Rudolf Slansky, the Czechoslovak ambassador to Moscow - whose father, the general secretary of the Czechoslovak Communist Party, was executed under Stalin's orders in 1952 - confidently dismisses any suggestion that there is any threat from the present regime of a reassertion of hegemony.

"Things are going well. There are no delays to the pullout of Soviet troops [from Czechoslovakia]. Less than 25 per cent of the Soviet troops now remain. The rest should go in a year," he said. Even if a hardline government took over in the Soviet Union, he was hopeful that the withdrawals would continue.

Soviet diplomats believe that any delays may be caused by the problem of finding accommodation for the returning soldiers

Mr Alexei Nekipelov, the liberal-minded deputy director at the Institute for the Study of the World Socialist System, believes any Soviet takeover of eastern Europe is unlikely.

"A harder line government [in the Soviet Union] is quite possible, but in this case the most important issues would be the domestic ones. I don't think it would be possible to again push out beyond our boundaries into Eastern Europe."

Indeed, Soviet and east European diplomats believe that any delays there are may be caused by the problem of finding accommodation for the returning soldiers.

A further 77,000 officers' families are expected to return from eastern Europe in the next two years, in addition to the 30,000 which have already returned home from Czechoslovakia and Hungary. Only 4,000 apartments have so far been built for these arrivals. Under an agreement signed between the Soviet Union and Germany last autumn, the German government pledged DM 7.8bn for a four-year housing programme for returning troops.

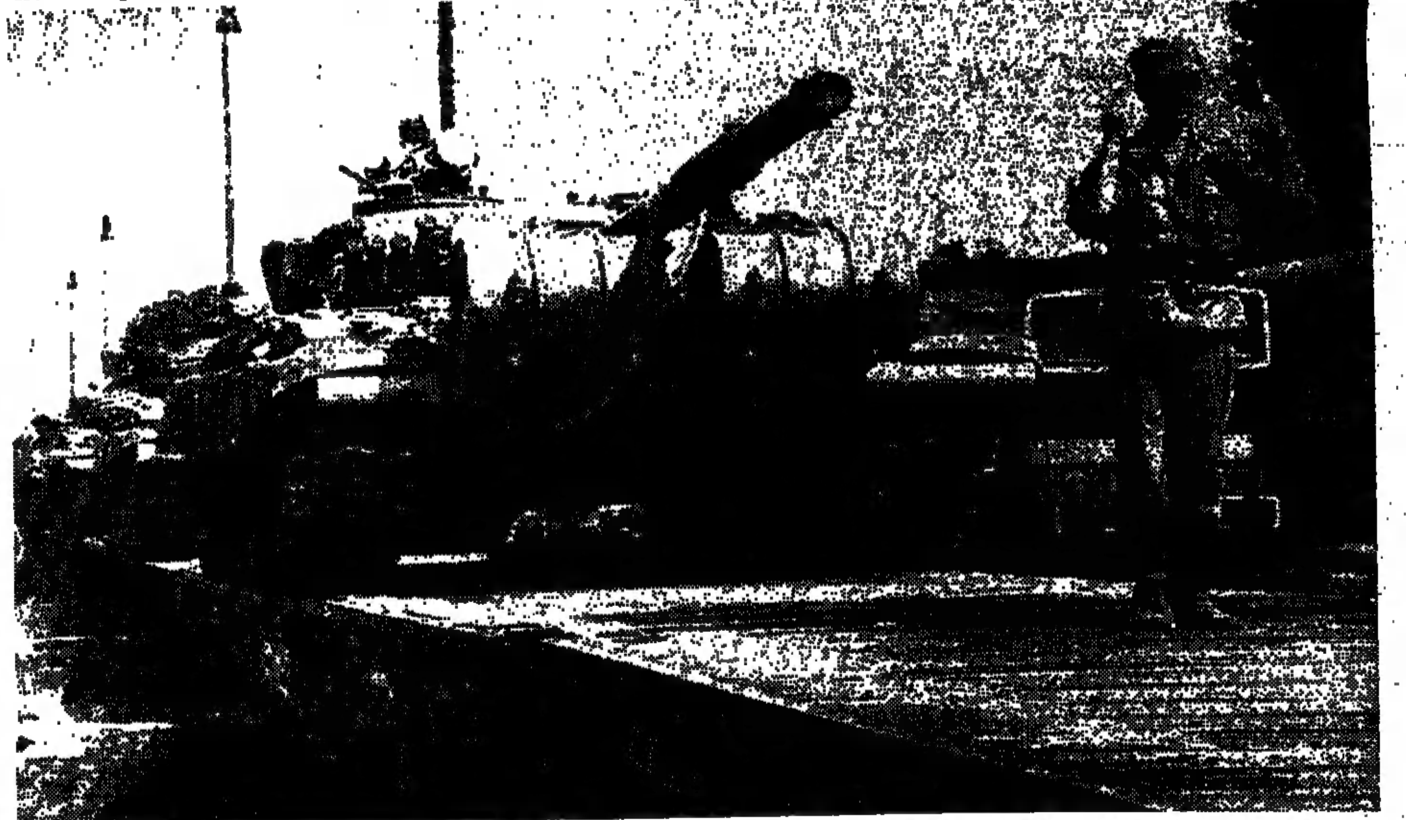
But the countries of eastern Europe are taking no chances. Apart from troop withdrawals, they are also dismantling the former communist intelligence networks and political links with Moscow.

Recently, the Czechoslovak government unilaterally rescinded an agreement between Czechoslovak security bodies and the KGB, even though the Soviet Union is still adhering to the agreement. Mr Jan Langos, the federal Interior Minister, said that any secret activity by the KGB on Czechoslovak territory would be illegal. He also insisted that the number of KGB officers at the Soviet embassy be reduced from six to one.

In Hungary, a Hungarian diplomat said the old intelligence networks between Budapest and Moscow had been severed and "the resident KGB officials left Budapest last year."

In Poland, the authorities recently cut off the Soviet embassy from a special government telephone network that gave it direct access to top Polish leaders. Mr Jacek Kozlowski, a government spokesman, said former communist leaders and members of the former Solidarity government led by Mr Tadeusz Mazowiecki had also lost the special hotlines installed in their homes.

In addition, all these countries, plus Bulgaria and Romania, are seeking the dissolution of the military wing of the Warsaw Pact. "The Warsaw Pact is in complete disorder," commented a Polish diplomat. "The dismantling of the military arm of the Warsaw Pact should take place as quickly as possible - preferably by the middle of this year."



On the retreat: A Soviet soldier directing a tank on to a rail car last August during a withdrawal of forces from Czechoslovakia

Bulgarians agree to austerity

BULGARIA has agreed on a tough austerity programme with the International Monetary Fund (IMF), which it hopes will haul the country away from "the abyss", Mr Ivan Kostov, finance minister, said yesterday, Reuter reports from Sofia.

Mr Kostov told the newsagency that Bulgaria also hoped to clinch a $380m IMF loan later this month to ease its path from communist central planning to a market economy.

"(The programme) is really severe. But it's severe because Bulgaria is near the abyss," he said in an interview.

Bulgaria has been crippled by the collapse of the Soviet-led trade bloc Comecon, with which it once conducted more than 80 per cent of its foreign trade, and by volatile world oil prices since Iraq's invasion of Kuwait last August.

The country is also desperate to break a deadlock over its $11m foreign debt. Last March, it suspended principal payments, most of which is owed to commercial banks, and in June cut off interest payments.

Bankers accept Bulgaria has few prospects of servicing the debt at present, and in December agreed another 90 days rollover for interest and principal payments.

Mr Kostov said senior officials heartened by the IMF deal were visiting Germany this week to try to negotiate further leeway on borrowing. "We think the agreement that we have concluded with the IMF is a precondition for an overall change of attitude towards this country," he added.

With former communists clinging to power long after the fall of hardline leader Todor Zhivkov in late 1989, reforms are only now beginning to be implemented.

Output has collapsed and by the end of last year shop shelves were empty. Only a radical price liberalisation this month has begun to put goods back in the shops, but at prices few people can afford.

One aim of the IMF programme was to beat inflation down from at least 48 per cent in 1990 to single-digit levels this year.

Communists defeated over Renault workforce

By William Dawkins in Paris

THE French Communist party has lost majority control of the workforce of Renault for the first time in the carmaker's history as a state-owned business.

The defeat of the CGT Communist-led trade union in the latest works council elections at Renault, the bastion of French industrial policy, further weakens the hold of western Europe's most extreme Communist party on what was its most important source of industrial power.

It is also the latest step in Renault's progress towards becoming a normal commercial company, following its change of status last year from a state guaranteed *regie* and its share exchange accord with Volvo, the Swedish car group.

Counting for the 1991 works ballot has just been completed, giving the CGT 46.5 per cent of the vote, the first time it has fallen into a minority since General Charles de Gaulle nationalised Renault after the second world war.

The extent to which the CGT had lost control of its heartland was shown by the muted opposition to Renault's decision last year to close its oldest site, on an island in the river Seine just outside Paris, which had come to be seen as a symbol of the CGT's former strength.

The gainers in the latest elections were the four moderate trade unions – the CFDT, FO, CFTC and CFE-CGC – which are now trying to hammer out an alliance on the two main works councils.

Renault works councils have no formal power, though the company must consult them on big decisions affecting the workforce.

Nevertheless, the CGT managed to use its influence to generate resistance to the Volvo link-up and discontent on a number of other issues, though with decreasing success.

The CGT is also believed to have contributed to Renault's failure to strike a partnership deal with Skoda, the Czechoslovak carmaker now linked with Volkswagen, by presenting a gloomy picture of French working practices to Skoda union officials.

Latvian parliament opts for vote on independence

THE LATVIAN parliament yesterday voted to hold a referendum on March 3 on the creation of an independent, democratic Latvia, joining its sister Baltic republics in defying a Kremlin ban on independence polls, Reuter reports from Moscow.

The Soviet news agency, Tass, said 101 of the 105 deputies present in the 201-seat parliament supported the proposed "yes" or "no" vote on the question of "a democratic Latvia as an independent state".

The pro-Moscow opposition is boycotting the parliament, which is dominated by the pro-independence Popular Front.

The parliament also agreed to permit a Kremlin-sponsored referendum on preserving the unity of the Soviet Union, set for March 17, but refused to help to organise the poll.

Tass said a parliamentary resolution would allow only residents aged over 18 and officially registered in Latvia to take part in the "independence" vote, restricting participation by the largely Russian security forces.

Neighbouring Lithuania held a plebiscite last Saturday in which 90.47 per cent of 2.65m voters backed the creation of "an independent and democratic republic".

Estonia, the third Baltic republic absorbed into the Soviet Union in 1940, has scheduled a poll on March 3 to determine its future status.

President Mikhail Gorbachev branded the Lithuanian poll illegal, saying it aimed to block the Kremlin's March 17 referendum.

EC report shows skills shortage in Europe

By Lucy Kellaway in Brussels

A SHORTAGE of skilled workers in Europe is reducing economic growth and undermining the EC's competitive position, and the problem is getting worse, according to a report for the European Community published yesterday.

The study, written by the EC's Industrial Research and Development Advisory Committee, concludes that a big effort is needed at European level, as well as by national governments and individual industries and companies if the position is to improve.

It singles out engineers, scientists and technicians as being in particularly short supply, and says that current education and training efforts are not sufficient to meet the growing gap.

It warns that skills are only half the battle: unless there is a change in management attitudes to and understanding of technological change, the adoption of new technologies could actually prove counter-productive.

A massive investment in upgrading the workforce is needed, while at the same time Europe's fragmented education system needs to be reorganised, the report says.

It calls on the EC to establish a "coherent European approach" to encourage the mobility of highly skilled workers but to discourage the brain drain from poorer to richer areas.

The study makes unfavourable comparisons with Japan, where specific measures are being taken to ensure that a projected shortfall of 1m workers in the information technology (IT) industry by the turn of the century does not materialise.

By contrast, member states are taking little if any corrective action for a shortage in IT workers that is already hurting the industry. The EC has half the number of researchers of the US or Japan per head of population.

The figures show the UK as having a lower proportion of students in higher education than any other EC country apart from Greece and Portugal.

Brussels to introduce rules on baby milk

By Lucy Kellaway in Brussels

NEW EC rules that would force manufacturers of artificial baby milk to announce clearly on the packet the superiority of breast milk are due to be adopted by the European Commission.

The directive, likely to be passed before the summer, sets out strict rules covering the content, advertising, marketing and labelling of infant formula milk.

It has proved highly controversial among pro-breast-feeding lobby groups which claim the new rules do not go far enough. They would allow manufacturers to supply maternity wards and health clinics with cheap artificial milk, something which is forbidden in the UK under voluntary agreements.

However, Commission officials pointed out that such supplies could only be made under strictly limited conditions and would not preclude countries from keeping their voluntary agreements in place.

"These rules are even stricter than those on the advertising and sale of tobacco products – especially when you consider that tobacco is a noxious substance and that infant formula can be life giving," said a Commission official.

The directive would allow advertising only in specialist publications, and then all assertions would need to be scientific or factual. It would ban all free samples, discounts and special offers, and prohibit the circulation of any educational material by the manufacturers, expect at the specific invitation of health authorities.

Member states would have to ensure that information on feeding babies stressed the superiority of breast milk, while formula milk would carry the words "Important Notice" and state that artificial milk should only be used at the advice of a specialist.

The approval of the council of ministers is not needed for the directive, as powers have been delegated by a wider directive on EC foodstuffs. It will, however, have to be agreed by a committee of experts from member states.

France offers new credit to Soviet Union

FRANCE yesterday offered the Soviet Union FFr3bn ($590m) in credit to buy French factory equipment and grain, Reuter reports from Paris. Mr Pierre Bérégovoy, the finance minister, said France deplored the use of force in the Baltic republics but that internal tensions should not impede trade.

Mr Bérégovoy told reporters at the end of two days of meetings with Mr Lev Voronin, first vice-president of the Soviet council of ministers, that Paris was offering Moscow FFr2bn of credit to buy French capital goods.

Mr Voronin said Moscow also agreed to buy two to three million tonnes of French grain with about FFr1bn of French credit guarantees.

Last year Moscow used an unlimited line of French credit to buy FFr1.2bn worth of French capital goods, Mr Beregovoy said. Both officials said they were disappointed about bilateral trade. The French trade deficit with the Soviet Union widened to FFr10bn last year from FFr5.8bn in 1989.

Mr Beregovoy said French firms were encountering difficulties setting up operations in the Soviet Union.

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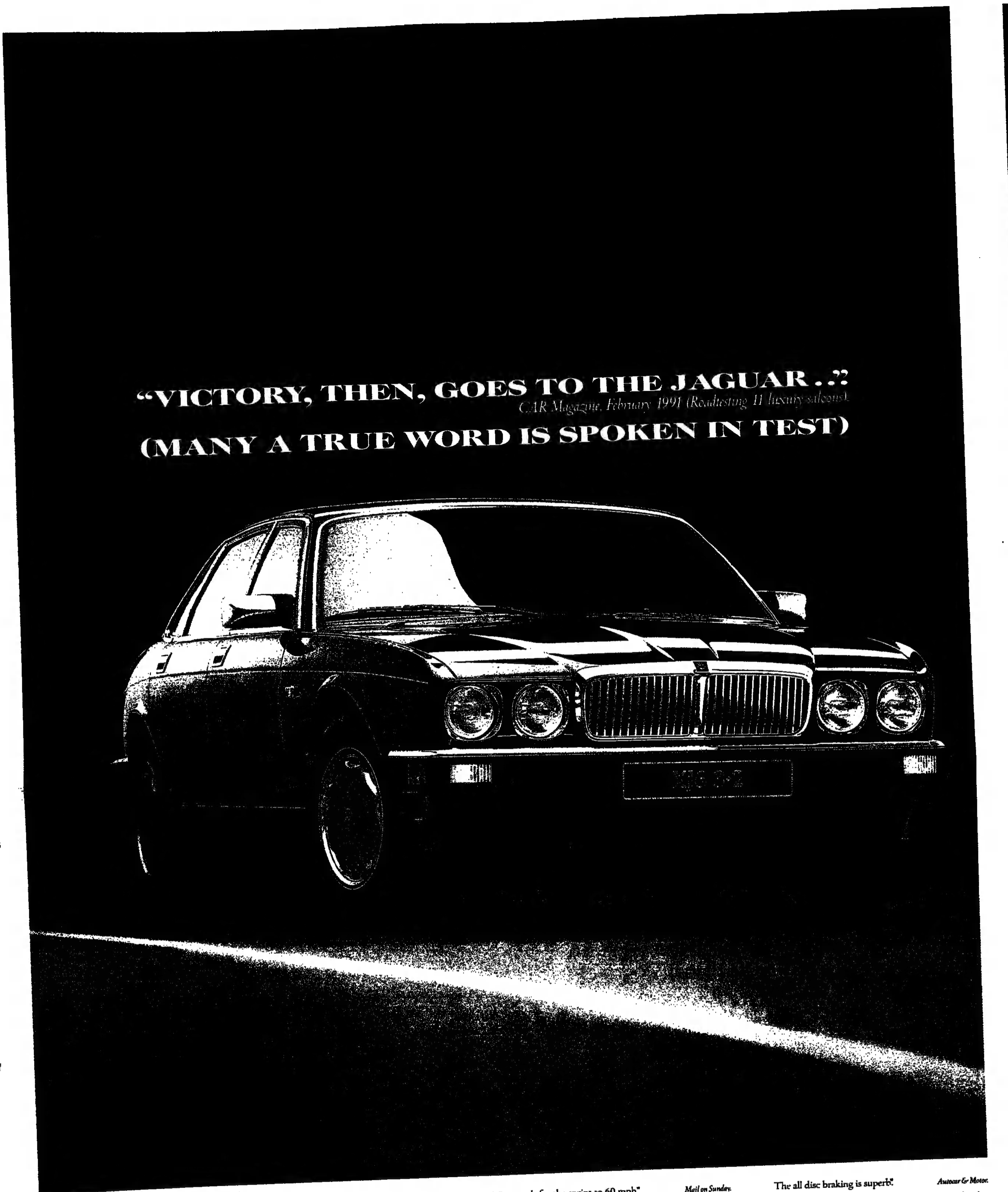

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Alvey project in IT 'failed' to match Japan

By Alan Cane

THE "Alvey" programme failed in its broad objective of catalysing the development and commercial success of new products, says its former director. Alvey, the UK's strategic initiative in information technology, absorbed about £350m of public money in the 1980s.

Mr Brian Oakley, who ran the programme from 1983 until *it was wound up in 1988/89*, argues that while Alvey successfully pioneered co-operation between industry and the universities and promoted a broad diffusion of advanced techniques, it failed to bring *new, commercially viable* products to market.

"It has to be faced," he says, "that most of the projects requiring capital investment – that is, most of the hardware projects – did not produce *anything which has* yet reached the market; nor are they ever likely to do so."

The Alvey programme was launched by the UK government as a response to a perception that the UK was falling behind in the commercial exploitation of information technology.

In particular, there were fears that the Japanese Fifth Generation initiative, designed to develop "intelligent" computer systems, would give Japanese industry a substantial competitive advantage. It was a co-operative programme in which the government and individual firms shared project costs on a 50/50 basis.

Mr Oakley, who is now *chairman of Logica Cambridge*, argues that research and development support programmes are not enough by themselves to ensure success.

He says that the capital investment climate is critical *and that high interest rates* and unstable exchange rates have seriously inhibited capital investment in the UK.

AIR FARES COMPETITION

Discount agencies retain cutting edge in fight for passengers

FALLING demand may have forced airlines to cut fares to entice passengers, *but British* discount flight specialists can still beat their prices and offer fewer restrictions on the date of travel, writes Neil Buckley.

The gap is narrowing, however, for those who can travel standby. Pan Am said yesterday its cheapest return fare *from London to New York was* £235, including tax, but this is bookable *only one day* in advance. This is for passengers travelling before March 17, and completing their journey by March 24.

For passengers booking three days in advance the fare *goes up to £341, but for anyone* booking between three and thirty days ahead the fare is a standard £588 return on weekdays, and £628 at weekends.

For those booking more than 30 days ahead the fare goes *down again to £359.*

A random survey of discount flight specialists in the UK found prices to New York varying from £196 to £208 return. All the shops questioned said tickets are available immediately on most flights. The fare structures of the discount *shops also have the advantage* of being rather simpler to understand.

It was a similar story with Los Angeles. Pan Am's one-day standby was £319. All but one of the discount shops sampled could undercut this, offering prices from £294.

Often, the so-called "bucket" shops can offer tickets on scheduled flights with major airlines for considerably less than the airlines can themselves, with fewer restrictions.

Pan Am quoted the cheapest available return fare to Frankfurt as £115, while a Manchester flight agency offered tickets on the same flights for £85.

British Airways offered a return fare of £621 to Hong Kong before March 1, with a minimum stay of seven days. But a ticket agency in north *London could offer flights* with British Airways for £498 return during the same period.

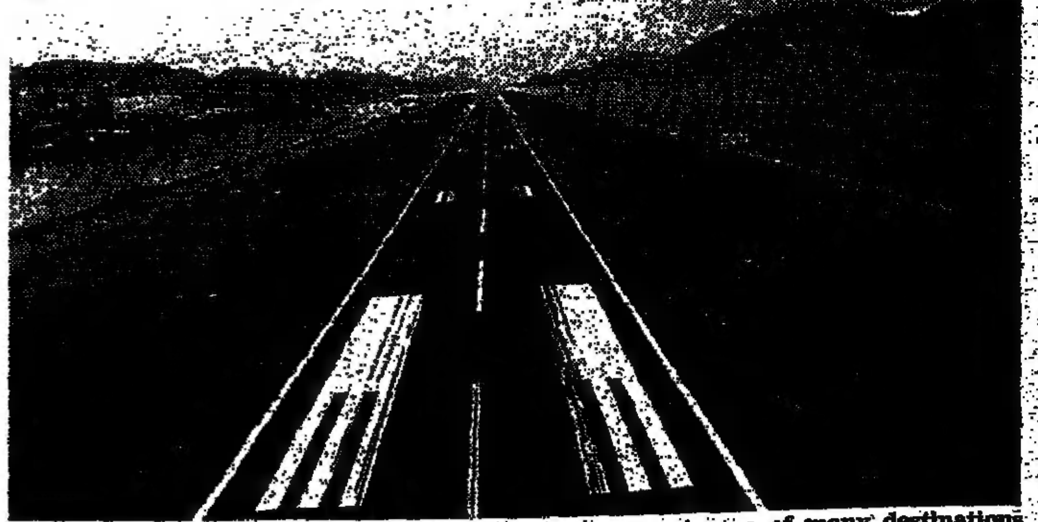
On long-haul flights, discount shops continue to offer the best deals, undercutting the airlines' standard fares by as much as 40 per cent. Return tickets are currently available *through discount agencies to* Johannesburg and Hong Kong, for example, as cheaply as £555 and £473 respectively.

The current standard fares with British Airways to the same destinations are £725 and £621.

Cheaper APEX fares are, however, available to passengers booking more than 30 days ahead.

There were no reports of price cutting on journeys within Europe, where air travel is more tightly regulated. *Air France reduced fares* for flights within Europe and to North America on January 4 in line with the normal decline in passenger traffic at this time of year. The airline said it had no plans to follow the most recent wave of cuts.

● BRYMON Airways reported an *increase in traffic* in its London City Airport-Paris flight of 24 per cent this January over the same month in 1990. Lex, Page 14



Cheaper outlook: Hong Kong's Kai Tak airport, above, is *one of many* destinations where international travellers can benefit from discounted fares from London.

Trading deteriorates on London market

By Richard Waters

THE UK stock market became an increasingly hostile place for both investors and the market's intermediaries during the course of 1990, according to figures published yesterday by London's International Stock Exchange.

The ISE's latest Quality of *Markets review reveals that in* the last quarter of 1990, there was a further deterioration in trading volumes, "touches" (the difference between quoted *buying and selling prices*) and the number of market makers prepared to quote prices in UK shares.

The steepest falls in trading volume were seen in overseas equities, which early last year *accounted for a greater level of* business even than UK shares.

From a peak of £1.588bn a day in February last year, international share business had more than halved to just £770m a day by November. This recovered slightly to £812m in December.

Trading activity in UK shares slipped 2.7 per cent in the last three months of the year, marking a fall in business *of 10.8 per cent over the* year as a whole. Trading in smaller, "gamma" companies has been particularly badly hit.

This accounted for 18 per cent of turnover on the stockmarket at the time of the crash in October 1987, but had fallen to as little as 4 per cent in the last quarter of 1990.

Against this deteriorating picture, the number of market *makers fell during the year* from 28 to 24, with smaller company market makers cutting back most sharply.

Dublin tries to break N Ireland deadlock

By Philip Stephens, Political Editor

THE Irish Government has tabled new proposals in an *attempt to break the deadlock* preventing the opening of formal talks on Northern Ireland's political future.

The proposals accept that Mr Peter Brooke, the Northern Ireland Secretary, should act *as an arbiter on the timing of* the Republic's participation in talks between the political parties within Northern Ireland.

In a document handed to Mr Brooke last week, however, the Dublin Government insists that the Unionists – who favour retaining links with Britain – should not be allowed to exercise a veto over *such participation.*

The Northern Ireland Secretary suggested last month that he should be given the role of referee in deciding when the Republic joins any talks in an *effort to prevent the collapse* of the initiative he launched a year earlier.

The formula won the acceptance of leading Unionist politicians.

Mr Brooke's initiative envisages *two sets of talks - one set* confined to the parties within the province - essentially the Unionists and the largely-Catholic SDLP - and a wider conference *including* both the London and Dublin Governments.

Unionist politicians, however, have insisted that the second set of talks should not start until they judge progress *has been made in the internal* talks, while the Republic has pressed for a firm date for the wider conference.

BT gets its lines crossed

Hugo Dixon looks at UK telephone pricing policy

BRITISH Telecom must have thought it had hit on a clever manoeuvre when *it decided to employ four* economics professors to help it persuade the government that it should be allowed to increase its line rental charges *to* keep pace with costs.

The aim was to outgun Sir Bryan Carsberg, *the former* accountancy professor, who is the head of Oftel, the industry regulator. Sir Bryan has resisted BT's pleas but the telephone and communications network thought the government would be more sympathetic to its case if his arguments could be demolished.

Carsberg: resisting BT pleas

This manoeuvre backfired last week when one of the professors, Mr John Kay of the London Business School, resigned as consultant to BT, saying he was unhappy with the way the company was conducting its debate on prices.

The other three – Prof William Baumol of Princeton University, Prof Richard Brealey also of the London Business School and Prof Paul Grout of Bristol University – supported *some of BT's specific* arguments, but they failed to give it full backing.

BT put a brave face on the incident, saying they had been hired only to look at specific aspects of its case and that Prof Kay had not been asked to continue as a consultant anyway. This is difficult to reconcile with the way Mr Iain Vallance, BT's chairman, trumpeted the fact that the professors were demolishing *Oftel's arguments.*

BT has forced the issue of its prices on to the agenda of the government's review of the BT/Mercury Communications duopoly, which is due to be completed early next month. *Its complaint* is that, when it was a publicly owned utility, it was forced to set its prices according to political rather than economic considerations. As a result, line rental charges were kept at substantially below cost while call charges – in particular international calls – were priced over cost.

Such a pricing structure is no longer appropriate as the telecommunications market becomes more competitive, BT argues. The current review of the duopoly envisages BT facing competition not only from *Mercury* but from anybody else entering the market.

Because it has to subsidise line rentals from call charges, it is at an unfair disadvantage in the long-distance market while Mercury and any other entrants are disadvantaged in the local market, it says.

Under the present pricing regime BT is allowed to increase the price of a basket of its main inland services by the rate of inflation minus 4.5 per cent each year. Within this overall price cap the company is allowed to adjust its prices as it sees fit, except that it may not increase line rental charges by more than 2 per cent above the rate of inflation.

BT wants to be free from the inflation-linked limit on line rental charges. Eventually, it would like to double rental rates and make compensating cuts in call charges.

There are three objections to BT's arguments.

First, the company has not published figures to back up its case that prices are out of line with costs. Prof Kay said the figures he *had* seen did *not* prove the case for rebalancing prices, though Prof Baumol said the figures would make the case for rebalancing even if they were 30 per cent wrong.

The second objection is that *the pricing formulas* were agreed only two years ago and are not supposed to come up for review for two years.

BT argues that Oftel's announcement *last year that it* intended to cap the company's international prices – which are not regulated at present – has reopened the whole pricing issue. Sir Bryan said the original pricing deal always envisaged the possibility that international prices would be regulated if BT's profitability from these services increased. BT's profits have since shot up according to Oftel.

The third objection is political. If BT is given greater freedom to rebalance its prices, many voters will find their bills rising faster than inflation – something the government will want to avoid with an election looming. BT has attempted to allay these fears by promising that the bill of the average customer will not *increase faster* than inflation.

Political considerations will probably decide the issue. Barring a last minute about turn, the government and Oftel seem determined to stick to their guns. BT could still carry out its threat to force the issue to the Monopolies and Mergers Commission. This would guarantee a thorough investigation of its case but the Commission might take a broader look at BT's business in ways the company might not welcome.

THE HOUSE OF COMMONS

Major pressed on British economy

By Ralph Atkins

THE GOVERNMENT'S high interest rate strategy will "increasingly drive inflation downwards", Mr John Major, the prime minister, predicted with confidence. However, the opposition Labour party *stepped up its onslaught* on the government's handling of the economy.

He shrugged off figures earlier this week showing the biggest monthly increase in factory gate prices for 10 years and said evidence that policies were working "will become increasingly apparent".

Mr Major was pressed by Mr Neil Kinnock, the Labour party leader, about whether he shared concerns about rising unemployment, business bankruptcies *and factory* gate prices.

While admitting he shared such anxieties, the prime minister said business had been growing rapidly and he looked forwards to the "prospects that will continue to exist for this country as we increasingly drive inflation downwards".

In response, Mr Kinnock called for a cut in interest rates and "a more sensible system of managing demand".

Major: facing criticism

Above the noise in the chamber, Mr Major retorted: "These generalised slogans will not do."

Mr Major said this week's figures showing output prices rising at a rate of 6.3 per cent a year were "suspect".

He suggested they may have reflected the delayed impact of higher oil prices.

He said of the government's economic policies: "They are working and I believe that will become increasingly apparent."

But he slipped when he attempted to reassure MPs about price rises abating, predicting "continuing falls in the rise in inflation".

Later Mr Major used prime minister's questions to reiterate that education was top of his own political agenda for the 1990s.

He told the House: "We wish to see an education system that rewards dedicated teachers *and provides an education* in the state sector that we can be proud of."

"That's what we shall be increasingly reaching towards throughout the Conservative governments of the 1990s."

● The five Scottish National party MPs in the House of Commons told Mr Michael Heseltine, the new environment secretary, and Mr Ian Lang, the Scottish secretary, that the controversial poll tax should be abolished from April this year.

They said at a meeting with the two ministers that local authorities should be financed by a withholding tax of six pence on income earned in Scotland next year, to give councils time to set up a system for collecting a local income tax.

After the meeting they expressed the fear Scotland might be squeezed into a uniform system of local government finance better suited to England and Wales.

The poll tax is a per capita tax levied to finance local public services.

● *The government found itself* embarrassed last night over cold weather payments, for people vulnerable to below-zero temperatures, during the present severe weather spell.

Mr Major was forced to counter comments made 24 hours earlier by Mr Nicholas Scott, junior social security minister, who had told the house that a special relaxation on eligibility for the payment would only last a week.

Mr Major said the situation *would be monitored.*

Public sector more receptive to ex-offenders

By Lisa Wood, Labour Staff

EMPLOYERS in the public sector are more willing than their private sector counterparts to employ people who have committed offences including robbery and fraud against a previous employer, according to a survey by Apex Trust, the national ex-offenders employment organisation.

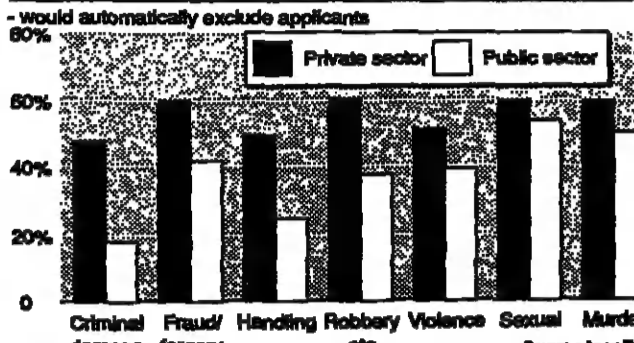
Apex Trust, in a national survey of 2,500 employers, asked what sort of offences against a previous employer *would automatically exclude* ex-offenders from consideration within the respondent's company.

Sexual offences tended automatically to exclude candidates in both the public and private sectors but, *up to 60 per cent of* employers in the public sector were willing to consider ex-offenders for crimes they considered to be less serious.

Conversely, up to 60 per cent of companies in the private sector said they would automatically exclude ex-offenders who had committed offences including fraud and forgery, against a previous employer.

Offences against previous employers

- would automatically exclude applicants



Source : Apex Trust

More generally, the survey found that 15 per cent of private sector companies said they would not employ people with a criminal record under any circumstances. The corresponding figure in the public sector was 3 per cent.

Apex Trust, which is concerned that rising unemployment will put more ex-offenders at risk of not getting a job, said the survey indicated that employers should be encouraged to look at each individual on merit. It said the relevance of the offence for the effective performance of the job should only be considered.

The organisation will shortly be making a proposal to the department of employment that it funds part of an Employers' Information Unit. This would provide guidelines to Training and Enterprise *Councils and employers* on recruiting ex-offenders. It would also act in an advisory capacity to any employer wish*ing to recruit someone* with a criminal background.

Equal Opportunities policies tended not to include ex-offenders, according to the survey. Apex Trust said: "Employers should adopt written equal *opportunities policies* which include ex-offenders on the basis of unrelated criminal records."

Employers, it said, should have a uniform policy regarding requests for information on convictions. "For example, a statement expressing a company's willingness to consider ex-offenders regardless of unre*lated convictions should* appear on all job application forms. Also, ex-offenders should be considered on their merit and only convictions relevant to the post should be considered."

BRITAIN IN BRIEF

UK group launches capital fund

MMG Patricof, a venture capital company, has raised a £200m fund to be invested *equally in early-stage* companies and corporate rescues in Britain and continental Europe.

The £100m destined for investment in the UK makes this the largest fund of its type to be raised by a British venture capital group.

Patricof is continuing negotiations with other investors which may lead to the fund, called APA European Ventures, increasing to £240m. Fund-raising began last March *and was due to end in* September, but was delayed by uncertainty in the Gulf which prompted potential Japanese investors *to* withdraw.

The new fund represents a considerable commitment to early-stage companies at a time when many venture capital firms have moved *away from such investment*, Mr Ronald Cohen, the chairman, said.

Power station loses backer

BOC, the industrial gases group, is withdrawing from the Neptune project to build a 1,000MW, $500m combined cycle gas turbine power station on Teesside, in north-east England.

The other partners in the project – Northern Electric and Scottish Hydro-Electric – say they remain confident about the scheme.

BOC formed Neptune with the two electricity companies *last year to ensure long-term* supplies of electricity for its plants on Teesside. It has decided that "moving into significant power generation is no longer part of our strategy."

TUC may align pay bargaining

Union leaders are to consider ways of aligning pay talks in the first three months of each year as part of a plan for synchronised pay bargaining under a possible future Labour government.

Leaders of the Trades Union Congress will discuss proposals to shift pay negotiations to the start of the year, following a national economic assessment drawn up collectively by the government, employers and unions.

Last year the congress agreed to the idea of a *national economic assessment*, but rejected any return to pay "norms".

Gas market flexibility urged

British Gas should review its proposals to introduce more competition into the UK *industrial gas market* by April, according to Mr James McKinnon, the industry's regulator.

The company's offer to make more gas available to competitors through a series of swap deals would not work if British Gas, the privatised national supplier, remains too inflexible in its demands, he said.

Mr McKinnon said there is a danger that some companies will not participate in the market because they cannot conform to the terms offered by British Gas.

James McKinnon: British Gas should remain flexible

The proposals would make 10 *per cent of* the industrial market available to would-be competitors until October 1992. British Gas would allow companies to have this gas now if they agree to swap back some of their future supplies.

Magazine group cuts 250 jobs

Reed International, one of the UK's largest publishing and information groups, announced 250 redundancies at its business magazines division.

Mr Peter Davis, Reed's chairman and chief executive, cited the advertising recession as the main reason for the job losses. The advertising market had been "badly affected by the decline in business confidence" and Reed saw "no sign of an improvement" in the short term.

The redundancies will reduce the workforce at Reed *Business Publishing* – one of the UK's largest business magazine publishers with titles such as Farmers Weekly and Caterer & Hotelkeeper – to 2,500 people.

Manx to relax its labour laws

Trade unions will be legally recognised for the first time in the Isle of Man this summer. The Trade Union Bill completed its lengthy, and often fraught, passage through the House of Keys, the lower house of the Isle of Man parliament.

Mr Bernie May, the Manx industry minister, said the bill, along with a new Employment Bill, "will provide a better framework from which industrial relations in the island can move forward".

Branches of several UK unions exist and are active in the Isle of Man, a self-governing dependency of the UK in the Irish Sea, but their members have hitherto not been protected by law from claims arising from industrial action.

Social fund proves costly

Administrative costs of the British government's controversial social fund were nearly 31 *per cent of its gross expenditure* in 1988-89, a National Audit Office report shows.

That makes the fund – from which social security claimants receive loans or grants to meet urgent needs – the most expensive benefit administered by the Department of Social Security.

In 1988-89 the fund had benefit expenditure of £198m, costing £61m to administer.

No need to change auditors

The government has no plans to introduce legislation requiring that auditors to banks and insurance companies be rotated every five years, Mr John Redwood, the corporate affairs minister, has said.

"Responses to two recent consultation exercises were overwhelmingly against requiring companies to change auditors at regular intervals," the minister said. This was "on the grounds that it would increase costs and make audits less effective as each new set of auditors would have to start from scratch in building up knowledge about the client."

John Redwood: to change auditors would raise costs

Rover puts up prices by 3.6%

Rover Cars has announced price increases averaging 3.6 per cent, effective immediately. The company is the last of the "big three" UK producers to announce a new year increase.

Market leader Ford announced a rise averaging 3.4 per cent on January 21, following one of 3.6 per cent by Vauxhall.

'Hero Turtles' plant closes

A company that produced Teenage Mutant Hero Turtles goods has ceased trading with the loss of 120 jobs. Creative Framing of Bletchley, in south-east England, started with four employees in 1989 and expanded its workforce 30-fold when *demand* rose for its framed prints and quilted pictures of the turtles.

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MANAGEMENT

Doing business in Taiwan

Thoroughly, exasperatingly, delightfully, Chinese

Peter Wickenden explains the paradoxes of working within the system

Taipei's shining office blocks, neon signs, fast-food restaurants *and endless rivers of* imported cars can easily fool the uninitiated into thinking it is just like Hong Kong.

Indeed, there are many foreign companies that cover the wealthy Taiwan market from their Hong Kong offices, and the two places are only a 90-*minute flight apart. Yet behind* Taipei's mirror-glass facade there lies a business environment that is thoroughly, exasperatingly, delightfully Chinese.

"Hong Kong is reminiscent of a large Chinatown in a western society – like an enormous *Gerrard Street* transported back out to the Far *East," observes John Chandler*, a fluent Mandarin speaker who *has headed ICI's* Taiwan operation for the past three and a half years. "Taiwan is quite different, quite close to the (Chinese) mainland in some of its concepts."

Businessmen with regional experience say that while the Chinese in Hong Kong may be more westernised and pragmatic in the way they approach a business deal, Taiwan's is a more parochial and tradition-bound society. And the authorities, despite bold statements in favour of opening up to the rest of the world, and making Taipei a regional financial centre to rival or replace Hong Kong, seem to be staffed largely by officials uneasy about carrying out a mission too hastily.

The first hurdle one faces in setting up in Taiwan is getting into the country, staying there, and getting out again. The island's international diplomatic isolation means that it cannot openly run embassies or issue visas except in a handful of countries.

For instance, businessmen from the UK, Taiwan's second largest European trading partner, *must get a letter of introduction* from the low-profile *Free Chinese Centre in London* and swap it for a 60-day visitor *visa on arrival. There are no* visas to be had directly on arrival.

Getting a residence visa, which has to be renewed yearly, is by no means easy, but a visa is required if one wishes to open a bank account. But the possessor of a residence permit (a "black book" – which is actually blue), still encounters considerable bureaucracy, including tax returns, exit permits and re-entry permits, before being able to leave the country just for a day or two. Though recently simplified, the procedure could still be made more convenient.

Finding an office in Taipei has become much easier since the stock market crashed last year and put hundreds of local service sector companies out of business. But rents in one of the world's most densely popu*lated cities remain* very steep, and some landlords demand that they are paid every month in cash, since no domestic bank is yet sufficiently advanced to handle standing orders or even direct transfer of funds between private banks or post office accounts.

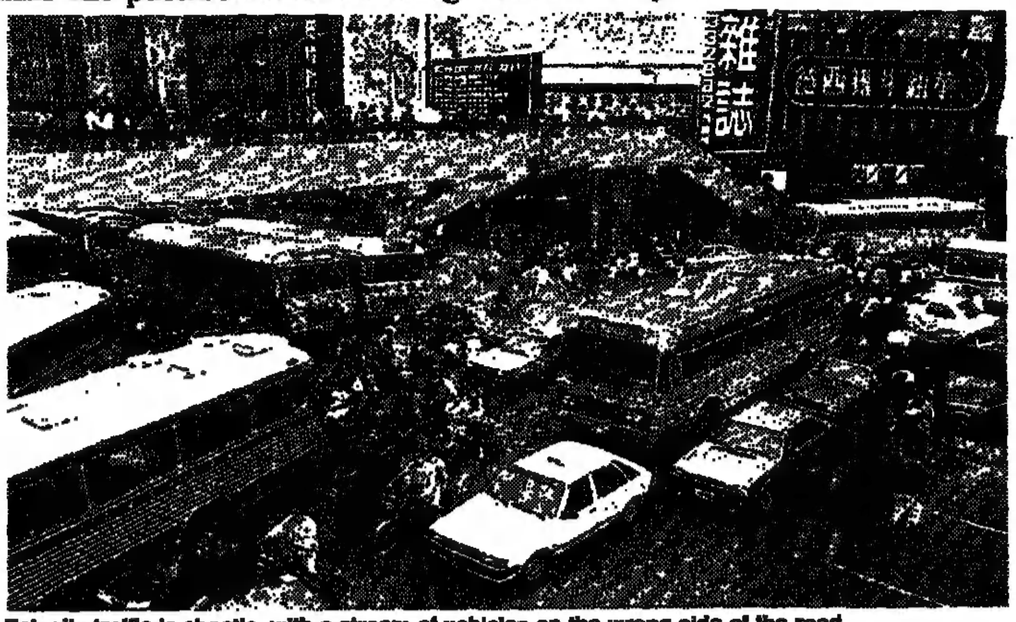
Banks and large businesses use cheques. Everybody else is accustomed to carrying huge amounts of cash around to buy anything from a fax machine to a company car. This is a somewhat nerve-racking experience in a country where the crime rate is rising rapidly.

There is no cause for worry when it comes to hiring staff, however. Foreign companies are unanimous in their praise for the Taiwanese, who are conscientious and diligent. Owen Davis, managing director of Anglo-Dutch insurance company Heath Hudig Langeveldt's Taiwan office, notes that unlike their counterparts in Hong Kong, the Taiwanese seem to care about the company's fortunes. They are prepared to take a pay cut or work longer hours when the economy has hit a rough patch.

ICI's John Chandler agrees that the staff are one of the *great attractions of working* in Taiwan. "I can't count the *number of times visitors* have said off-the-cuff that they are *among the most friendly*, hard-working and conscientious *they have come* across anywhere in the world."

Both he and Owen Davis note, however, that the irresistible appeal of playing the stock market has somewhat dampened the country's legendary work ethic in the past few years. "It is a major problem. I don't think any company was unaffected by it last year," he says.

A more deeply ingrained Chinese trait that foreign bosses have to cope with is managers' reluctance to question decisions or challenge the system openly, which makes western-style management meetings a frustrating game of edging politely towards consensus.



Taipei's traffic is chaotic, with a stream of vehicles on the wrong side of the road

The Chinese themselves put this down partly to their traditional education systems which emphasise passive rote-learning techniques and passing exams rather than analytical thinking, and partly to the fear of *diu lian* or "losing face".

Michel Plagnol, who is overseeing the construction of a *major part of* Taipei's *new* rapid transit system by the *French company Matra, finds* that "difficult things can't be said directly". *He notes, however,* that the women on his *staff show more initiative* and seem to care less about losing face than the men.

Even so it is certainly a mistake to pretend that face is of no consequence in negotiating a deal.

After three years of experience, Owen Davis routinely starts by quoting an excessive price for insurance cover just to give his clients the face-saving satisfaction of beating him down.

Davis finds that the Taiwanese are interested mainly in the price. Both he and Pat Flockhart, who runs British Steel's sales office in Taipei, comment that every customer also expects special treatment. If any client were granted a special favour, however, the word would get round in a flash. "In terms of sales, this is one of the least developed of the Asian countries. People never believe that there is a fixed price," says Davis.

Building up long-term relationships with staff, suppliers, *clients and particularly government* officials is the key to successful *business ventures in* Taiwan. In a land where laws are *enforced haphazardly* and widelyignored, it is possible to do almost anything.

When dealing with the government, contacts, and the right attitudes, are important. Be as polite and modest as most officials are and doors swing open.

Because of its political history, Taiwan is unique in having two governments: the central government, which claims it covers the whole of China, and the Taiwan provincial government. This means two separate bureaucracies, which can tirelessly pass the buck back and forth and, in the lowest ranks, two lots of officials on the look-out for kickbacks.

These days, outright bribery and corruption in the government and the police are more a commonplace for local entrepreneurs. But officials' reluctance to face responsibility for anything is a serious problem that affects local and foreign businessmen equally.

Getting on the wrong side of the government can slow things down, but falling foul of *the ordinary people* can scupper one's plans permanently.

On a personal level, the foreigner may have to grow accustomed to a host *of* religious rituals, superstitions and taboos adhered to by his own staff or by the local trading company in the office next door. When it's an auspicious day in the Chinese lunar calendar, and there are plenty, the corridors of older office blocks fill with smoke from incense sticks and metal pails full of symbolic money burned to pay off the gods.

On a public level, Taiwan is already a very polluted country, and most local opposition to foreign investment is on environmental grounds. Du Pont has been trying without success to build a titanium dioxide plant in Taiwan for years. ICI was faced with an *angry mob of* fishermen demanding money last year when a *local subcontractor* dumped ICI's waste acid into the sea too close to the shore. In both cases an energetic press did the foreign company no good at all.

In environmental protest and *the occasional labour dispute*, there is a rising political element, and opposition politics *is* closely mixed up with the underworld.

Ah, yes, Taipei traffic. Lethal enough even before the somewhat emotional locals began to arm themselves as a result of the recent deterioration in the social order, it is cited by all as a major problem in doing business. In Taipei it is both heavy *and chaotic, everywhere else* just chaotic, with a steady *stream of vehicles coming* down the wrong side of the *road. The first train on Taipei's* underground system will not *be arriving until mid-1992.* Until then, allow an hour to *get to any appointment.*

Other practical impediments *to making money include the* telephone system, which becomes overloaded whenever the stock market is rocketing or plunging by its 7 per cent daily maximum. In the morning, *in certain parts of Taipei* one may have to wait five minutes just to get a dialling tone. In the afternoon, when Europe and then the US wake up, international lines become jammed. Just scribble a note, leave it in the fax machine, lock up, and let it dial and redial.

"Difficult and challenging," is how Owen Davis sums up business in Taiwan. Despite their moans, very few foreign companies have failed to make a go of it in Taiwan's easy-going but hard-working commercial world. The island's 20m people are well aware that their *prosperity* has always depended heavily on foreign *investment, foreign technology* and imported raw materials.

Perhaps *for that* reason alone, the xenophobia of the Chinese mainland is almost non-existent in Taiwan, and as trade barriers and restrictions come down, doing business there is becoming both easier and more of a pleasure.

Previous articles in this series were published on July 27 (Italy), October 10 (France) and November 9 1990 (Saudi Arabia).

A new day could dawn for biodata

John Gapper on personnel selection

On the face of it, a recession in Britain does not seem likely to prompt increased interest among employers in recruitment techniques. The rapid growth of psychometric testing, and attempts to select workers by means other than a short job *interview* and an application form were encouraged by the *economic boom of* the late 1980s. As the recession hits jobs in both *manufacturing* and services, recruitment could be the last thing on a personnel manager's mind.

Yet the recession's effects may be paradoxical; companies flooded with job applications may need new ways of screening them to sort out a manageable shortlist. Instead of opening up recruitment methods to ensure candidates are not rejected for illogical or outdated reasons, they may want to tighten them to make recruiters' lives bearable.

The danger in doing this is *clear enough. Much effort* has been put into widening *recruitment to include* applications from women returners, *ethnic minorities and older* workers – groups who have been weeded out *in the past* by a cursory examination of *application forms. Employers* which have tried to switch to criteria based on personality and aptitude rather than relying on basic academic qualifications may be tempted simply to return to their old ways.

The cost of alternative techniques such as psychometric testing – under which every applicant undergoes individual personality and reasoning tests – may be too high if there is a flood of applications. This suggests that employers such as the civil service, or others which take in large numbers of clerical workers, may be seeking ways of *screening* which give a greater insight into candidates than *simple academic tests*, yet cost less than psychometrics.

This could lead to *a return* of interest in biodata – a technique in which biographical details of job applicants are scored according to how suitable they are likely to be for a job. The use of biodata is an attempt to improve the use of standard information that candidates may give on forms. These can include school achievements, previous positions of *responsibility*, leisure activities and other information on job motivation.

Biodata has had a bad press in the past few years. *Although* there was some enthusiasm for the technique in the early 1980s, some employers became disenchanted, and even stopped using it. Among the reasons were the demographic downturn which led to a fall in the number of applicants for jobs, and *problems* in persuading candidates that it was as fair and *"scientific"* as purported. However, a new study* suggests it may *itself* have been unfairly treated.

The study of biodata was carried out under an Institute of Manpower Studies research programme, which was sponsored by a group of employers including Marks and Spencer and the Cabinet Office. It found that employers which have used the technique systematically – the links between personal history and job performance have to be tested over long periods – have found it a useful predictor. Once established, a system allows the rapid sorting of application forms.

Inevitably, biodata testing has its weaknesses. One is that *it hardly seems worth* the effort except for large employers which have to trawl through sackfuls of applications regularly. The effort of checking how much better – if at all – people who were prefects at school perform jobs over long periods is only then likely to be worthwhile.

The study points out that biodata pre-screening is expensive. It is likely to cost an employer about £20,000 to develop a tailored system. It will be repaid only if there are identifiable cost savings. These savings are most likely to result from identifying people who will stay a reasonable length of time. This will cut *the number of times* the expensive and time-consuming process has to be repeated as the recession deepens.

* *Biodata in Selection: Issues in Practice. By Marie Strebler. IMS Paper No. 160; Institute of Manpower Studies, Mantell Building, University of Sussex, Falmer, Brighton BN1 9RF. £24 (£16 to IMS subscribers).*

BUSINESS AND THE ENVIRONMENT

Sawmill cuts out a green image

By David Blackwell

It's an ill wind that blows nobody any good. That could be the motto of Anthony Penrose and Nigel Braden, who set out to create an environment-friendly sawmill after the 1987 hurricane in south-east England devastated trees and woodlands.

Penrose and Braden are appalled at the thought of any part of a tree being wasted. To them, churning thousands of old Christmas trees through a mobile chipper in Hailsham last month to make peat-free compost was the sort of recycling which fits in perfectly with their environmental philosophy.

Before the hurricane struck, their business – Timber Management of East Sussex – was a tiny *sawmill* employing four people in the yard at Penrose's farm. *Since then they have* poured more than £2m of their own money and £1m of borrowed capital into the business, *which opened on a green*field site on the farm in 1989 *and now employs 34 people.* Last year turnover was around *£700,000.*

Stacked on the nine-acre site are tonnes of timber from the devastated woods of southern England. They expect to be clearing trees knocked down by the hurricane for another three or four years.

Penrose went into the timber business after deciding that 100 acres of woodland on his farm had to work for its living.

The top soil from the site was built into a three-metre bank which deflects noise upwards and screens the buildings from the road. It is, of course, *planted with trees.*

Within the bank a mixture of the latest technology and tradition is employed. The sawmill shed is soundproofed with four inches of rock wool between the double-skinned wall. Alongside it is a shed, built of English timbers, for seasoning timber over a period of one year. The vacuum kiln involves state-of-the-art technology and takes only 10 days to season one-inch oak planks.

The mill can process 200,000 cubic feet of timber a year. Kiln dried oak and ash are used for flooring, architrave and skirting boards; traditionally seasoned timbers go for *furniture.*

Penrose believes his prices are competitive, and his products have an additional "green" factor. "What we do appeals to people. We are having an impact on preventing the destruction of the rain forests by offering a viable alternative," says Penrose.

Braden, who has a background in architecture, is keen to promote English hardwood as a construction material. When he was designing the seasoning shed, which uses sweet chestnut for the main structure, he found that stress tables referred almost exclusively to imported hardwoods. He is now working on a special committee with the British Standards Association to set new standard tables *for* English oak.

Sawn timber is only half the story, however. "A lot of peo*ple talk of whole log usage.* We are into whole tree usage," explains Penrose.

The "top and lop" (waste *branches) and any other waste* from every tree processed is converted into chips of varying size and quality. Some are used as outdoor play surfaces and for riding arenas, some go into garden mulch and some are mixed with cow slurry from the farm to make a new peat-free compost. The sawdust is used by the ceramics industry.

Both partners believe that by adding value to English timber they can help to create demand, which will lead to better-managed woodlands and reduce the UK's heavy reliance on imports.

The company, which last year *planted 50,000 trees*, continually runs education programmes with *the local schools* and communities. Its policies won it the Sussex Business Awards Environment Award last year.

The company, which is now breaking even, believes it is on the right path for sustainable growth up to a £1.5m turnover in 1992. Penrose is looking for profits of between 6 and 8 per cent in future years.

"I know from long experience in primary production as a farmer that it's too optimistic to hope for more," says Penrose. "In agriculture, you're lucky to make 2 per cent."

Ian Hamilton Fazey reports on a clean-up programme that extends beyond the factory

Change in the works

Can cleanliness be expected from a steelworks that celebrates its 150th anniversary next year? The answer is plain to anyone who visits Stocksbridge Engineering Steels, 10 miles north of Sheffield in green countryside *on the edge* of the Peak District, where the steelworks *occupies a* 1¼-mile-long strip of the narrow valley floor of the *Little Don.*

What is happening there both raises and answers fundamental questions about industry and the environment, particularly over how to justify the cost of going well beyond compliance with legal requirements for pollution control.

For Stocksbridge is spending £10m over 10 years on its environmental programme. Not only are emissions and effluents controlled twice as stringently as required by law, but stone office buildings have been sandblasted clean of more than a century of grime. Redundant buildings have been knocked down and roads straightened.

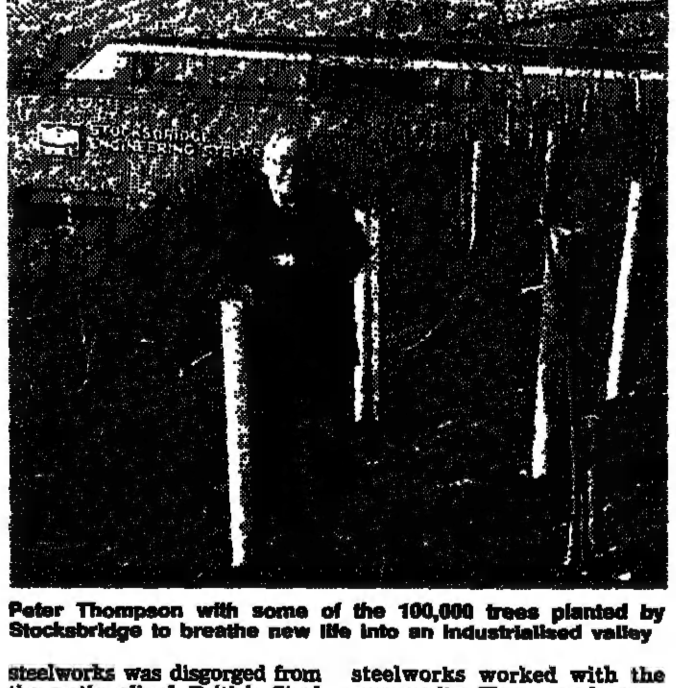
A *special access road has* been built into the works from *the Stocksbridge bypass to* keep lorries out of the town. *The scrap steel feedstock for* the electric arc furnaces is stored in an area that has been screened by trees.

The workforce's enthusiasm is noticeable, says Philip Dimelow of the *EETPU electricians'* union. Terry Gardner, chairman of the works' multi-union committee, says: "A clean and tidy works makes people think it's a better environment to work in. Steelmaking will always be a dirty process but you can and should make it as clean as you can."

Not only is Stocksbridge strikingly clean, but the steep side of the valley above the works is being planted with 100,000 trees. The job is half done and will restore the valley not to what it was like in the 18th century before steelmaking began there, but to its state a millennium ago.

As Roger Moss, chief project engineer, puts it: "We wanted an environmentally friendly works. It's one thing to start with some fields and build a factory and put some trees around it. But we *started* with a valley that had been industrialised in some way or another from the Bronze Age."

The town of Stocksbridge (population 16,000) occupies the opposite slope to where the trees are being planted, but its view to date has been of the works and of scrubland. The change came in 1986, when the steelworks was disgorged from the nationalised British Steel Corporation (BSC) to go into the private sector as part of United Engineering Steels (UES).



Peter Thompson with some of the 100,000 trees planted by Stocksbridge to breathe new life into an industrialised valley

David *Stone, recruited as* managing director, did not appreciate the *grimy image of* the works. Peter Thompson, personnel director, was put in charge of changing it. "We had a pretty grotty time in the five or 10 years before we became part of UES when all we saw was the decline of the steel industry. When we became UES and looked around, we noticed by just how much the fabric had gone," he *says.*

A study showed that landscaping and planting the slope above the works would cost £400,000 over five years. The Countryside Commission, a government agency, offered to pay a third if there was public access to the land and the steelworks worked with the community. Thompson became chairman of a partnership between the works, Stocksbridge's district council and Sheffield city council.

There *are now nature and* industrial heritage trails *through the growing wood.* Also growing are the links with local schools, which bring a succession of classes of pupils there for field studies.

In the works itself there was considerable initial scepticism. Gardner says: "People wanted to know what it was costing, where it was coming from and would we pay in the end *because the money wouldn't be* available for our pay packets?

"But people have come to accept it and see it as a positive thing. The industry has realised that the world has changed. Many things we care about now did not matter in the past."

But does it make any money? David Stone, the managing director, admits that it might have been difficult to justify the environmental programme to BSC on the basis of *provable projections of returns*, but he says that the pro*gramme is now proving* its worth handsomely.

"A better working environment is a better selling environment. Quality is important. If the works is clean, you are more likely to produce a cleaner product. It helps make the steel purer," he says.

The strength of engineering steels comes from the additives used in alloying. Customers want more strength for less money, but costs can only be kept down if the steel can be made as pure as possible.

"Cleanliness is therefore economically important," *Stone* says. "It is not so much that *dust gets into the product, but* the psychological effect on *everyone. If you are trying to* make something clean while *surrounded by lots of rubbish* you have an attitude problem from the outset.

"The customer then equates a clean works with clean steel. We do, of course, bring all of our customers here. They see us as a high-tech industry operating in a clean, landscaped, high-tech environment, just as impressive in its way as the modern premises in which many of them operate.

"I certainly would not try to justify spending so much money in terms of return. You get benefits rather than savings. But I would not like people to think that we decided to spend £400,000 on trees because we thought it might be a good idea."

There has, however, been one tangible return so far: by switching from oil to gas as a fuel, using more efficient burners and better insulation, and by *installing extraction* equipment to cut emissions of fumes *and dust, the plant has* not only become cleaner but also more efficient.

The result is that Stocksbridge's energy usage per tonne of liquid steel made has dropped from 7.3 gigajoules in 1983 to 5.7 last year, a drop approaching 30 per cent.

The promotional *spin-off has* included national and European awards *and a* pat on the back from Margaret Thatcher when she was prime minister. Stone, however, keeps his eye on the ball. "We are not a museum but a high-technology factory. We are showing the world that steel is not a mucky and grimy thing," he says.

CFCs get the cold shoulder

By Clive Cookson

A drop-in replacement for R502, the main refrigerant used in supermarket freezers, cold stores and food transportation, is launched today. It could save tens of millions of pounds which the supermarket and food distribution industry would otherwise have had to spend on capital equipment over the next five years, as R502 is phased out in accordance with the Montreal Protocol on CFCs.

The new coolant, Isceon 69-S, has been developed by Rhône-Poulenc Chemicals, UK subsidiary of the French chem*ical group, and Star Refrigera*tion, an independent Scottish company.

Sainsbury's, the UK supermarket group, is testing 69-S at its South Ruislip store west of London. "We're extremely excited about it," says Peter Ibbotson, Sainsbury's chief engineer. "Our only recourse before this came along was eventually to take out the equipment and replace it with different compressors using R22 – which would have entailed a long and expensive programme, with considerable disruption to our stores and customers."

Changing compressors in a typical supermarket costs at least £100,000, Ibbotson says, and re-equiping the whole Sainsbury's *group would have* been cost more than £20m.

The industrial *refrigeration* industry is adopting R22 as *the standard* replacement for R502, which contains CFC. R22 is a hydrochlorofluorocarbon (HCFC) – less damaging to the ozone layer in the upper atmosphere than a CFC. Its "ozone depletion potential" is five times less than R502. But compressors designed to run on R502 do not work with R22.

Isceon 69-S, which Rhône-*Poulenc will manufacture at* its Avonmouth plant near Bristol, is a mixture of R22 with two non-chlorinated chemicals (propane and octafluoropropane).

The company says 69-S has a slightly lower ozone depletion potential than R22 and – most importantly – it can replace R502 "as part of the routine servicing of refrigeration equipment" without any need to change the compressor.

"This refrigerant mixture is so close in performance to R502 that it can be considered a drop-in replacement," says Forbes Pearson, technical director of Star Refrigeration.

Sainsbury's wants to continue its South Ruislip test for another three months before starting to introduce 69-S elsewhere, Ibbotson says. *It plans* then to introduce the new mixture into its *most modern* supermarkets; the R502 taken *out will be* recycled and used in older stores.

Although the price of 69-S has still to be negotiated between Rhône-Poulenc and its customers, it is likely to be three times as expensive as R502, which costs about £6 per kilo. Enough 69-S to fill a supermarket refrigeration system would then cost around £4,000 – far cheaper than changing the compressors over to R22.

Rhône-Poulenc claims to be the first manufacturer *to bring* a drop-in replacement for R502 to market but its competitors are developing their own mixtures. *"We're working on a* number of mixtures but we have *to* consider whether they are environmentally *acceptable solutions, even as interim* products," says Chris Tane, *new fluorocarbons* marketing manager for ICI.

The general-purpose CFC coolant used in domestic refrigerators, air conditioners and small commercial chillers is R12. The chemicals industry has introduced a *chlorine-free* replacement for R12 – HFC134a – *but this is not* suitable for larger industrial systems or for low-temperature supermarket freezers.

Ibbotson says that Sainsbury's is planning to install a dual refrigeration system in its new supermarkets. It will use HFC134a as coolant for its chiller cabinets (kept just above freezing point) and R22 for the frozen food cabinets.

● Du Pont of the US has launched the first commercial replacement for R11, a CFC refrigerant used in large central air conditioning systems. Du Pont says it will produce thousands of tonnes per year of the material, HCFC123, at its plant in Maitland, Canada.

ARTS

TELEVISION

Clarity reaches a full stop

Christopher Dunkley criticises the grammar of documentary makers

Have you been watching the *In Solidarity* programmes [redacted] about [redacted] of politics in Poland and the way things have been going in that country [redacted] months? Did [redacted] absence of essential information drive [redacted] to [redacted] What about another BBC2 series, *Culloden*, made in [redacted] somewhat similar manner, dealing with a much smaller society, a primary [redacted] in central London: while fascinating because [redacted] the seeming authenticity [redacted] each [redacted] do [redacted] feel [redacted] the programme makers' methods [redacted] really best [redacted] finding and conveying the truth [redacted] institution?

The more important [redacted] programme, the more significant [redacted] grammar [redacted] which [redacted] is made, and [redacted] versa. Just [redacted] there [redacted] point in studying the grammar in *Beano*, [redacted] there is no [redacted] pay much [redacted] the grammar – the [redacted] visual techniques – used [redacted] make *Neighbours*. On the other hand the [redacted] such [redacted] *In Solidarity* [redacted] *Culloden* [redacted] crucial.

It has long [redacted] clear that, contrary to the snooty beliefs of so many print-limited academics, politicians, and even journalists, there are things that television can do which print cannot. The title of one of the seminal series in this area was *The Space Between Words*. Made 20 years ago by Roger Graef, [redacted] out [redacted] explore (within [redacted] family, among diplomats, during a factory dispute, and so on) precisely that area described in the title. It pro[redacted] that no book can match the vividness of television in [redacted] the look on the face of a child during a family argument – and that look may be as important [redacted] paragraphs of words.

Three years later Paul Watson made a series called *The Family* which involved him and his crew virtually living with the Wilkins family [redacted] see how [redacted] parents and their children and lodger rubbed along together ... or failed to. Watson is the executive producer of *In Solidarity*, and looking at his programmes you guess that the relationship between Polish politicians and television crew may have been reminiscent of the Wilkins arrangement. In 1982 Graef spent nine months with [redacted] Valley [redacted] tabulary [redacted] produced *Police*, a famous (some [redacted] notorious) [redacted] about how the police behave ... at least when there is a [redacted] present. One [redacted] the camera [redacted] Diane Tammes who [redacted] both the [redacted] and direc[redacted] credit on [redacted].

So [redacted] "cinema [redacted] "fly on the wall" [redacted] is pretty small, but [redacted] they [redacted] important because theirs is one [redacted] the few [redacted] where television [redacted] creating (or, [redacted] who [redacted] as *We* [redacted] *The Lambeth Boys* [redacted] the [redacted] this tradition in the cinema, extending) [redacted] form [redacted] than borrowing somebody else's. The [redacted] that [redacted] trying [redacted] develop television's own techniques [redacted] journalism there is [redacted] unfortunate [redacted] dency [redacted] simple [redacted] of grammar. To [redacted] programme maker perhaps they [redacted] crude and distracting, but for the viewer the results can be infuriating.

For instance, [redacted] watching the opening episode of *In Solidarity* I scribbled the following phrases in my notebook: "This is very confusing. Where and when is this meeting with Walensa taking place? ... What is the significance of this family scene at Christmas with much kissing and what looks like a cross between communion wafers and chewing-gum? ... Why are we getting no context? ... When will they [redacted] us the date?" [redacted] on.

It is not as though the series has no narrator: Bernard Hill does a splendid job (I had to look up his name which proves he has the most important quality in a narrator: unobtrusiveness) but he is given a minimum to do, as though the producers were frightened of seeming didactic – "Mustn't ram it down their throats." Perhaps they feel that keeping on putting up the date in a caption would be gauche, and, worse, that it would break the flow of visual images. But this is supposed to be journalism, not art. We need those dates to make sense of matters.

It is important to emphasise that this is, in several respects, an outstanding series. Even without understanding exactly when things were happening, or the constitutional significance of particular events, one was carried away by the sheer excitement – political, intellectual, social – of what was going on. Just as it must have been astoundingly exhilarating to have been in Russia during those famous "Ten Days That [redacted] World," [redacted] it has been electrifying to watch at such close quarters the tortuous reverse process working itself out in one of Russia's satellites.

Yet it would have [redacted] even better if, instead of having to identify the chief participants in one's [redacted] "baldy," "stutterer," beardy" and so on, and being left to work out where they stood in [redacted] political spectrum, and in [redacted] pecking order of power, we had simply been told, either in voice-over or via captions. The reasons for not doing so (the look of the programme, "it's not who they are that matters but what they say," it would act as a Brechtian alienation trick) are all suspect.

Culloden has sometimes suffered from virtually the opposite fault: it has provided written information in the form of [redacted] (the [redacted] flow along the bottom [redacted] the screen from left to right) which [redacted] awfully trendy [redacted] programme makers [redacted] are viewer-hostile. [redacted] conventional voice-over provides information additional to [redacted] pictures which we can easily assimilate simultaneously, [redacted] caption forces [redacted] between reading the [redacted] watching the pictures.

This is so obvious that, like [redacted] information during *In Solidarity*, it raises the question of what editors or executive producers are doing these days. If they are [redacted] the back of the editing suite during the rough cut saying "My dad's never going to understand this," what on earth are they doing?

Most worrying of all is the feeling that programme makers are beginning [redacted] shy [redacted] spelling [redacted] methodically for fear of seeming supercilious or preachy. Something like this [redacted] to have ruined [redacted] been a marvellous series on Channel 4: *Orchestra*, presented by Dudley Moore and Georg Solti. The greatest surprise was that Moore, the articulate comedian/film star/seemingly natural communicator was almost tongue-tied half the time (and very silly the other half) while [redacted] proved a born presenter.

But what spoiled the series was the seeming lack of a coherent idea about what it wanted to convey. The occasional brief and jokey chat between Moore and one of the musicians about the funnier [redacted] of an instrument is no [redacted] a properly planned exploration [redacted] orchestra [redacted] simple explana[redacted] how the instruments [redacted] played. Is it possible for [redacted] string player [redacted] produce an unbroken [redacted] upstroke [redacted] bow? [redacted] and [redacted].

T[redacted] veyed by [redacted] feel as embarrassed about imposing "facts" [redacted] pupils [redacted] tele[redacted] producers do about inflicting facts upon viewers. Actual teaching (nasty pedagogic [redacted] showing children [redacted] to [redacted] and write) [redacted] entirely [redacted] favour of day-long [redacted] therapy. [redacted] such therapy is needed although this is only a primary school [redacted] hardly [redacted] doubt in last week's episode we heard of [redacted] five-year-old boy [redacted] dragged a girl into the lavatory, [redacted] pants [redacted] through the motions of rape, [redacted] he would be [redacted] back [redacted] his flat later for sex.

Yet we are left to work out for ourselves from odds and [redacted] is really a typical occurrence, or quite abnormal, just as we have to try to decide on our own whether they have actually given up teaching arithmetic altogether or if we [redacted] been misled by the programme makers' concentration on the bizarre. Somehow we, the viewers, must convince the [redacted] the purity of [redacted]bservational television is not irretrievably sullied by the inclusion of key facts in familiar grammatical [redacted] as commentary and caption.

Teacher-pupil accord in *Culloden*

Danses Concertantes

COVENT GARDEN

On the evening of January 18, 1955, the audience at Sadler's Wells was bowled over by a first sight of Kenneth MacMillan's *Danses concertantes*. It was quick and spikey and witty and bubbling with steps [redacted] ideas, and was quite clearly [redacted] work [redacted] a [redacted] creator happily intoxicated by the possibilities of dancing. He was shaking [redacted] up, turning [redacted] seeing [redacted] fell [redacted] of his pockets. Thirty-six years later, *Danses concertantes* has lost [redacted] its youthful enthusi[redacted] quick-witted way with [redacted] form nor its [redacted] delight. Placed in the [redacted] Opera [redacted] triple bill [redacted] to MacMillan's [redacted] and heart-stirring [redacted] *Dreams*, *Danses* [redacted] joy still, and [redacted] hints of what the choreographer [redacted] today.

The [redacted] has been [redacted] signed by Ian Spurling. I greatly admired [redacted] original Georgiadis setting – like [redacted] mad Gothic *maison de passe* – but Spurling's new [redacted] is nicely jokey. [redacted] places the [redacted] some [redacted] municipal baths, all echoing tiling [redacted] Art Deco patterns, and clothes the [redacted] in the [redacted] streetwise undress [redacted] one-piece swimsuits and undergarments and bomber-jackets, [redacted] punk hair-styles for the men. The spaciousness of the design, the [redacted] allow [redacted] to expand and [redacted] the [redacted] fact [redacted] this production is that the choreography blossoms in its new locale.

Danses concertantes looks, even now, a young and contemporary work. It retains the precious quality of eager fascination with steps that first inspired it. Though there is a tendency to say about ballets of a previous generation, "Ah, but you should have seen it when ...," this revival shows me the ballet I so enjoyed in 1955 with its pleasures undimmed. The reason, quite apart from admirable casting this season, is that MacMillan's dances have not lost their first aptness in movement matching the score. Stravinsky has provided a feast of rhythms,and these are the motor force for the choreography. How alert the young MacMillan was to each shift of pulse. How clever in catching an idea and finding its exact mirror in step – the music's loping metre suddenly turns the boys into horsemen. How exact, already, his sense of classic form, so that the three girls' solos are related to the fairy variations in *Sleeping Beauty*. And how fresh, still, the pointing fingers and lightning shifts of angle in head and torso, that so cleverly twist a traditional pose into something lively and new and valid.

The performances [redacted] strong, [redacted] I admired very much Fiona Brockway [redacted] the leading girl, witty and musical as Maryon Lane who created the part, and Tetsuya Kumakawa must be saluted for the mercurial speed and clarity of his account of the big male solo. About *Winter Dreams* which follows, I can but note that its sense of atmosphere, like the magnificent company performances, seem even more Chekhovian at a second viewing. Strongly recommended.

Clement Crisp

The Rake's Progress

ROYAL COLLEGE OF MUSIC

The tale of *The Rake's Progress* [redacted] no [redacted] for [redacted] spiritual well-being [redacted] students, [redacted] challenge of getting to grips with Stravinsky's music is unlikely to do [redacted] any harm. [redacted] an [redacted] any music [redacted] and the Royal College of Music will have been pleased to have [redacted] in a good show, [redacted] engaging to look at as it [redacted].

Under the [redacted] a great clock-face time ticked [redacted]. The hours spent in debauchery and excess will not last long, it [redacted] to say. [redacted] the moment of reckoning will arrive and poor Tom duly [redacted] his fate as the twelfth hour struck, [redacted] large XII in roman [redacted] hanging ominously over his grave. With costum[redacted] progressing from Georgian to the present day, the production also [redacted] it clear that this is [redacted] moral [redacted] all time.

Altogether it was [redacted] stylish presentation. In [redacted] major [redacted] would [redacted] glad [redacted] find [redacted] story illustrated by [redacted] as effective as those of Bernard Culshaw; or [redacted] strikingly well-lit as these were [redacted] John Bishop. [redacted] producer Mike Ashman had wisely not [redacted] all his energies [redacted] trying out [redacted] personal theory of the opera, as others [redacted] charge of student productions have been tempted [redacted] in [redacted] past.

The [redacted] simply well told. And, more important, the producer had eviden[redacted] lot of time with his [redacted] performers to try and draw from each a fully fleshed-out portrayal. The Tom Rakewell of Russell Hibberd, [redacted] example, put [redacted] a thoroughly be[redacted] character, even if he [redacted] hard work of the vocal part at times, coming into [redacted] own only when the voice was able to sing out.

I saw the first of two casts, on Monday. Mona [redacted] made [redacted] touching Anne Trulove, a [redacted] with [redacted] edge to the tone, [redacted] us some beautiful moments, including [redacted] exquisite final "Farewell" to Tom. [redacted] Nick Shadow [redacted] Richard Chew, the most experienced member [redacted] the cast, not [redacted] voice, but firm and true, every line played with [redacted] sharp [redacted] for [redacted].

Katrina Makepeace-Lott made [redacted] strong Baba the Turk, but it was Philip Slane's East-End shark of an Auctioneer, straight [redacted] world [redacted] Lovejoy and [redacted] mates, who was the star of the smaller parts. In the pit James Lockhart and the RCM Opera [redacted] gave [redacted] fine account [redacted] themselves, if only [redacted] playing did not always dominate so. The fortes are alright; but [redacted] were consistently a degree too loud for this little theatre.

Richard Fairman

Abdullah Ibrahim and Ekaya

JAZZ CAFE, NW1

The gentle South African jazz [redacted] of p[redacted] Abdullah Ibrahim's Ekaya (Home) seems to [redacted] to the [redacted] a distance. From the first creaking notes and soft chanting – eeekayaaa – you know who [redacted] coming. [redacted] and muted horns hold the attention until the swaying caravan of sound [redacted] a melancholy celebration of African music gets underway.

[redacted] have always [redacted] a solemn [redacted] about them, and treat their fellow's solos, coming in strict [redacted] each time, with reverence: eyes down or closed and hands clasped. Even in a club setting, the overall effect is soothing, pleasantly soporific, rather than thrilling.

[redacted] pieces [redacted] are not accompanists to Ibrahim's piano nor do they play hugely complicated parts. More important [redacted] softly lyrical, [redacted] interpretation of [redacted] moving compositions. The [redacted] inspiration of the slower pieces is gripping; Ibrahim's piano provides [redacted] dreamy commentary to the luscious electric bass from Spencer M'Babu. But they can swing, in a controlled way, and do so in the carnival-tinged pieces, Johnny Mekoa's still muted trumpet set sharply against the breathy alto sax of Robbie Jansen (itself muted by his flute jammed in the bell).

Much has been written in the [redacted] "musical tourism," and African music has [redacted] firmly established in [redacted] club and [redacted] hall.

Ibrahim [redacted] been exporting the liberating music of South Africa, subtly wrapped in [redacted] jazz idiom, for donkey's years. Dollar Brand, as he was known then, brought up to the gospel sounds [redacted] the African methodist church as well as traditional songs, is said to [redacted] the [redacted] musician to make a record in his native South Africa.

He [redacted] subsequently "discovered" by Duke Ellington in [redacted] early [redacted] while living in Europe. Later, lured to the States by Ellington [redacted] Newport festival, he joined the abstract scene, playing with Ornette Coleman and Don Cherry, a flirtation [redacted] ended with [redacted] conversion to Islam and Abdullah Ibrahim's return to [redacted] roots [redacted] Ekaya.

The seven-piece band wraps all that [redacted] up – the hymns, Ellington [redacted] the traditional – into a procession of [redacted] which [redacted] disappears all too soon over the horizon, as unobtrusively as it arrived.

Garry Booth

Winning books

Novelist William Boyd has been [redacted] the 1990 James Tait Black Memorial Prize for fiction for [redacted] book [redacted] *Beach*. The biography section of the awards, worth £1,500 each, was won by [redacted] Tomalin for [redacted] *Woman: The Story of Nelly Ternan* [redacted] *Dickens*. The awards will be presented in Edinburgh tomorrow.

Salieri & Mozart

BARBICAN HALL

[redacted]ot Rimsky-Korsakov's little opera *Mozart and Salieri*, but a double bill [redacted] Sallieri and Mozart themselves – respectively *Prima la musica, poi* [redacted] *parole* and [redacted] *pieldirektor*, [redacted] commanded by [redacted] Emperor Joseph II for [redacted] grand entertainment just over 205 years ago.

The pieces were quite independent. Richard Hickox had the happy idea of putting them on together at the Barbican on Saturday, with his City of London Sinfonia and a troupe of appealing singers. They were billed as "semi-staged," which hardly did justice to the work of the director-designer Henk Schut; neither piece demands much, but Schut's simple, [redacted] and costumes were everything needed. [redacted] port between the actors, [redacted] right and centre, with the conductor and band due left was noticeably less than perfect.

[redacted] *divertimento* [redacted] and Mozart's "The Impresario" both feature competing prima [redacted].

In Salieri, however, there is [redacted] a professional face-off [redacted] poet. They get most of the newly-composed music, apart from the [redacted] Overture; for the preening [redacted] from the *opera seria* and the other a [redacted] mostly plundered his other operas and such. But if the jest is slightly over-stretched [redacted] nearly an hour, it [redacted] lively expertise to refute the *Amadeus* libel upon the composer.

The [redacted] Jonathan Best made the composer a Stephen Fry clone, to good effect, while [redacted] poet [redacted] and fenced. Juliet [redacted] *grande dame* had the right airs, and delivered her tragic extracts in assured style; there was nothing much [redacted] the [redacted] about [redacted] Pierard, though [redacted] sang firmly. The translator [redacted] Salter offered some neat period-pastiche.

Unlike the Salieri, Mozart's *Singspiel* [redacted] dialogue, [redacted] recit[redacted] of it, with some non-singing actors.

As usual, the version [redacted] heard (by Eric Blom) [redacted] adap[redacted] and [redacted] just enough dialogue to establish the [redacted] action, and to [redacted] off the musical numbers.

Mrs Heartfelt gets an elaborate expressive aria and Miss Silvertone a dashing rondo.

Though the efficient Hickox let it end too staidly, and I doubt [redacted] Mozart expected were much like Nan Christie's or Elizabeth Gale's, [redacted] all good, reasonably elegant fun. Adrian Thompson did his Roy Kinnear thing [redacted].

David Murray

Anna on Anna

OFFSTAGE DOWNSTAIRS

[redacted] is [redacted] used to one person shows because of [redacted] recession. [redacted] one is [redacted] beauty. Here on [redacted] cold, slushy [redacted] in Chalk Farm the Offstage [redacted] was packed (which means [redacted] about 70) to see Illona Linth[redacted] perform [redacted] by Adrian Mitchell.

Anna is [redacted] Wickham, a Scottish poet and [redacted] 1884-1947 [redacted] was partly brought up in Australia. It is my fault that I had never heard of her before; others [redacted] done. Some [redacted] her verse quoted in this show is very good indeed. So is the entire production, which is directed by Cordelia Monsey.

How far Anna was a crusad[redacted] lesbian [redacted] to doubt; one suspects that some of the feminism [redacted] been written in [redacted] hindsight. She was, as she says [redacted] the end, "not sufficiently like anyone else to [redacted] essence of [redacted] friendship". She married, bore children, was committed [redacted] mental home, but returned to married life. She loved other [redacted] but her passion seems to [redacted] unrequited. [redacted] sang and wrote her [redacted] lust, she [redacted] several times, [redacted] "a [redacted] words".

The way [redacted] comes [redacted] stage is [redacted] mixture of straight chronology, readings [redacted] her verse and going through the characters in her life as though they were part of the washing. [redacted] is a [redacted] tidiness. Each character has a face on a garment. All go up neatly on the washing line. [redacted] this line that Anna hangs herself, first having put away the clothes. You can [redacted] it [redacted] a mile off, but that does not lessen the fascination. [redacted] is superb.

Malcolm Rutherford

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Muziektheater [redacted] *Tim Albery's* production [redacted] Benvenuto Cellini [redacted] Hirsch, [redacted] David [redacted] in [redacted] role. [redacted]

BERLIN

DANCE

Staatsoper unter den Linden [redacted] Carmen-Suite and Balanchine's Symphony in C, [redacted] music [redacted] Bizet (2004 762)

Komische Oper [redacted] Tom Schilling's [redacted] Wahlverwandtschaften with music [redacted] Schubert, [redacted] Tomorrow: [redacted] (2292 [redacted]

Deutsche Oper [redacted] Firebird choreographed by Bejart, Roland [redacted] Carmen [redacted] Balanchine's Symphony in [redacted] (3410 249)

MUSIC

Schauspielhaus [redacted] Carlo [redacted] Giulini conducts Berlin Philharmonic Orchestra in Mozart's Requiem and Sinfonia Concertante [redacted] four wind instruments. [redacted] (2614 [redacted]

THEATRE

Deutsches Theater [redacted] The Bald Prima [redacted] (2871 [redacted]

Schaubühne [redacted]

production [redacted] The Cherry Orchard. [redacted] and [redacted] (890023) [redacted] Le [redacted] imaginaire [redacted] 748)

DRESDEN

Today [redacted] tomorrow [redacted] anniversary [redacted] destruction [redacted] city with memorial [redacted] by [redacted] Philharmonic in [redacted] Kulturpalast [redacted] (Jorg-Peter Weigle [redacted] Berg's Violin Concerto and Mozart's Requiem) and by [redacted] Staatskapelle in the Semperoper [redacted] (Frieder [redacted] conducts music by [redacted] and a Requiem by [redacted] Heinichen)

FRANKFURT

Jahrhunderthalle Hoechst [redacted] Opéra [redacted] in Don Quichotte, choreography by Rudolf Nureyev, [redacted] music by Ludwig Minkus. [redacted] Fri (3601 240)

HAMBURG

[redacted] Lady [redacted] Mtsensk [redacted] by [redacted] Runnicles, with [redacted] by Olivia Stapp, [redacted] Tomorrow: Catherine [redacted] sings [redacted] Butterfly (351555)

Deutsches Schauspielhaus 19.30 Goethe's Reineke [redacted] by [redacted] Bogdanov. Tomorrow: [redacted] and Juliet [redacted]

LONDON

DANCE

Covent Garden [redacted] Viviana [redacted] Manon, choreography by [redacted] MacMillan, [redacted] by [redacted] Tomorrow: Altynai Asylmuratova [redacted]

MUSIC

[redacted] David Alden's staging [redacted] Oedipus [redacted] Duke [redacted] by [redacted] Elder, with Gwynne Howell [redacted] Sally Burgess as Judith. [redacted] Fri [redacted] 3161)

Royal [redacted] Hall [redacted] Yuri Temirkanov [redacted] Royal Philharmonic [redacted] in programme of [redacted] Stravinsky, [redacted] Dmitri Alexeev [redacted] Tomorrow: Libor [redacted]

Barbican [redacted] English Chamber [redacted] in [redacted]

THEATRE

This [redacted] The King [redacted] I starring [redacted] Hampshire (Sadler's Wells), Christopher Hampton's new play [redacted] (National), [redacted] Butler [redacted] by [redacted] Orton (Wyndham's) [redacted] Pinter's The Homecoming (Comedy).

[redacted] Plays [redacted] 0836 [redacted] Thrillers [redacted]

MILAN

Teatro [redacted] production [redacted] by Lorin Maazel, [redacted] Giuseppe [redacted] Mara Zampieri as [redacted] 3744)

MUNICH

[redacted] 20.00 Hildegard Behrens sings [redacted] of [redacted] Dorn's production [redacted] Wozzeck, conducted by [redacted] Hollreiser. Fri: [redacted] Rheingold [redacted] Ring cycle [redacted] by Sawallisch (221316)

Prinzregententheater 19.[redacted] Schiller's Die [redacted]

NEW YORK

MUSIC

[redacted] Domingo sings Rodolfo in La bohème, [redacted] Sat. Tomorrow: [redacted] Zauberflöte [redacted] 6000)

DANCE

New York [redacted] **Theatre** [redacted] Triple bill with New York City Ballet, including Peter [redacted] Orange, music by [redacted] (870 [redacted]

THEATRE

[redacted] week's shows [redacted] Falsettoland, William Finn's musical featuring a [redacted] in the hospital room [redacted] a man dying of Aids (Lucille Lortel), Shogun: [redacted] Musical, which [redacted] an earthquake [redacted] a string [redacted] spectacular [redacted] (Marquis) [redacted] Stephen Sondheim's new musical [redacted] (Playwrights Horizons). [redacted] answers inquiries and sells [redacted]

PARIS

DANCE

[redacted] 20.00 Bolshoy [redacted] in Hommage a Petipa. Runs till Sun (4742 5371)

MUSIC

Centre Georges Pompidou 20.30 Jukka-Pekka [redacted] InterContemporain in [redacted] by [redacted] Eliasson, Magnus Lindberg, Gyorgy Ligeti [redacted] Stravinsky [redacted]

Théâtre des Champs-Elysées [redacted] piano trios with [redacted] Trio [redacted] Tomorrow: Georges [redacted] National [redacted]

Salle Pleyel [redacted] McLaughlin and [redacted] de Lucia play guitar [redacted] by Semyon Bychkov, [redacted] Fri [redacted] 0796)

Theatre

[redacted] **Française** 20.30 [redacted] Le [redacted] Seville, [redacted] 4360)

[redacted] Calderon's The Wonder-Working Magician. [redacted] till [redacted] (4274 2277)

[redacted] du Nord 20.30 [redacted] production [redacted] The Tempest. [redacted] till [redacted] 2 (4607 3450)

PRAGUE

[redacted] Hall [redacted] Prague Symphony [redacted] in Tchaikovsky's Fifth Symphony, [redacted] Opsitos [redacted] Tzigane [redacted] Chausson's [redacted] Fri: Jiri [redacted] Philharmonic [redacted] in [redacted] Stabat Mater [redacted] 9164)

STOCKHOLM

Royal Opera [redacted] Hoffmann sung in Swedish. Fri: Tosca (248240)

[redacted] Stockholm Philharmonic [redacted] in music by Schoenberg and Dvorak, [redacted] Hakan Hardenberger [redacted] in Hummel's Trumpet Concerto. [redacted]peated [redacted] (244130)

VIENNA

[redacted]

[redacted] Leontina [redacted] sings Manon, [redacted] Gulyas [redacted] Grieux, [redacted] Tomorrow: [redacted] (51444 2960)

Volksoper 19.00 Die Zauberflöte. Tomorrow: Entführung (51444 3318)

[redacted] 19.30 Claudio [redacted] Philharmonic Orchestra in [redacted] programme, [redacted] Schulz soloist in Flute [redacted] 8190)

[redacted] **Brahms-Saal** [redacted] by [redacted] Scotto, [redacted] and [redacted] by Bellini, Verdi, [redacted] and [redacted]

THEATRE

[redacted] Rolf Hochhuth's Sommer 14 (51444 2218)

Burgtheater [redacted] Konig [redacted] und Ende [redacted] by Wolfgang Engel (51444 2218)

ZURICH

Opernhaus [redacted] The Firebird and [redacted] choreographed by [redacted] Scholz. Tomorrow: Der Zigeunerbaron (251 0909)

Tonhalle 20.15 Murray [redacted] plays [redacted] Piano Concerto No 5 with [redacted] Tonhalle Orchestra [redacted] by Hiroshi Wakasugi, also [redacted] Sat: Olli Mustonen [redacted] Rakhmaninov's Third Piano [redacted] (201 [redacted]

Schauspielhaus 20.00 New production [redacted] Dürrenmatt's [redacted] (251 1111)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

Eurosport

0600-0630 *International Business report*

CNN

0500-0530 Moneyline

0800-0830 Moneyline

[redacted] CNN [redacted]

[redacted] Business [redacted]

2000-2030 World [redacted]

Tonight - a [redacted] FT/CNN production with [redacted] of the day's major [redacted]

2300-2330 World [redacted] Tonight

[redacted] Moneyline

Superchannel

[redacted] Times [redacted] Report

A [redacted] minute [redacted] briefing [redacted] three [redacted] 0700 and 0800 [redacted] (Wed only) Financial [redacted] Weekly - [redacted] round-up.

SATURDAY

CNN

0800-0830 Moneyline

[redacted] World [redacted] Tonight - [redacted] joint FT/CNN pro[redacted].

1540-1610 Moneyweek

1900-1930 World [redacted] This [redacted]

[redacted] Your Money

SUNDAY

Superchannel

[redacted] FT [redacted] Weekly

CNN

0710-0740 Moneyweek

[redacted] Your Money

1900-1940 Moneyweek

[redacted]

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: [illegible] 3000 Telex: 922186 Fax: 071-407 5700
Wednesday February 13 1991

Airlines in crisis

THE INTERNATIONAL air transport industry is confronting the grimmest threat to its future for half a century. Coming on top [illegible] growing [illegible] ionary pressures worldwide, the higher oil prices and [illegible] spread [illegible] of flying induced by [illegible] Gulf [illegible] have [illegible] airlines almost everywhere [illegible] squeeze between [illegible] lapsing revenues and rising [illegible]. These problems pose a severe challenge, not just to individual carriers' powers of *survival, but to policymakers'* [illegible] – [illegible] all in Europe.

In the US, government authorities [illegible] reconciled to the prospect [illegible] shake-out of [illegible] industry will accelerate, [illegible] carriers go to the wall. Their main concern is that the process should *not result in excessive, anti*-competitive concentration. In Europe, by contrast, [illegible] governments [illegible] bent on ensuring that, however bad things get, their national flag carriers remain in business.

European *airline passengers* have no reason to be grateful for [illegible] generosity of spirit, which [illegible] linked only tenuously to safeguarding essential public services. [illegible] real motive is countries' long-standing insis*tence on promoting* and protecting their own flag airlines – *usually state-owned* – at the expense of economic reason.

It is a measure of the severity of the crisis that even airlines such [illegible] gium, which [illegible] hitherto shown [illegible] *ability* [illegible] defy [illegible] gravity, have finally been [illegible] overdue restructuring and cost-cutting. [illegible] is questionable, *however*, [illegible] will [illegible] enough so long [illegible] governments continue to support [illegible] subsidies and implicit guarantees [illegible] bankruptcy.

Emergency measures

Against [illegible] background, [illegible] European Community's main concern should [illegible] be [illegible] connive in bailing [illegible] troubled airlines, but [illegible] ensure [illegible] whatever emergency measures are [illegible] not imperil the progress of deregulation. Above all, [illegible] Commission, [illegible] is under [illegible] political [illegible] *industrial* [illegible] *to* intervene, [illegible] to keep the causes of the airlines' *difficul*ties clearly in perspective.

An end [illegible] the Gulf [illegible] will relieve *only some* [illegible] try's woes. The cyclical downturn in the world economy, already under [illegible] the Kuwait invasion, [illegible] likely [illegible] *lengthy period* [illegible] excess capacity. As [illegible] quence, B[illegible] can expect strong industry pressure to prolong indefinitely [illegible] sup*posedly temporary* [illegible] *or* U-turns which it permits on [illegible] road [illegible].

Capacity reduction

[illegible] well [illegible] limiting such measures, [illegible] Commission [illegible] to keep up [illegible] impetus [illegible] substantial capacity reductions in [illegible] industry. It can [illegible] by authorising *government subsidies* only when backed by binding com*mitments to re-structure* [illegible] airlines concerned. Mergers, particularly [illegible] frontiers, are probably indispensable to a more streamlined European *industry*. But [illegible] important [illegible] they demonstrably [illegible] *efficiency* [illegible] merely [illegible] pretext [illegible] preserving or extending monopolies.

[illegible] as [illegible] policy [illegible] the survival [illegible] airlines, it [illegible] focus on [illegible] small, independent [illegible] operators [illegible] competition. However, [illegible] powerful government *sponsors* [illegible] exceptionally [illegible] cri[illegible]. While [illegible] little Brus[illegible] or should, do [illegible] them directly, [illegible] needs [illegible] nothing is [illegible] help their larger state-owned [illegible] independents [illegible] still bigger disadvantage.

The toughest [illegible] EC's single [illegible] programme [illegible] *always bound* [illegible] *come during* [illegible] period [illegible] economic difficulty. If the Community's [illegible] respond to [illegible] troubles [illegible] airlines by reverting to [illegible] stubborn defence of national interests, they will not only [illegible] the [illegible] of breaking down obstacles to freer competition in that particular sector. They will also raise doubts about the extent of their [illegible] *wider enterprise of eco*[illegible] integration.

Charming the other Europeans

BRITAIN'S approach to the European Community has undergone [illegible] *apparent revolution* since Mr John Major became prime minister. For perhaps the first time a British government is giving every sign that it intends to behave as a wholehearted member, *content to be inside the club* and anxious to play a leading part in its further development. The tempestuous relationship of the 1980s has been replaced by a charm offensive led by the prime minister.

It *is much too soon to hazard* a guess as to what precisely this will mean. The change of tone cannot be measured by how much it results in a concession on the hard Ecu here, or a sub-clause on European political union *there*. On the contrary, Mr Major's most significant contribution to British foreign policy to date may be his ability to grasp that that is not the way continental Europeans think. What is significant is the *new tone itself*. For nearly half a [illegible] British governments have been urged [illegible] talk the language of the good European; [illegible] this [illegible] done, [illegible] has [illegible] argued, the [illegible] will be warm and the opportunity [illegible] pursue national interests in negotiating the *small print of* [illegible] new treaty will still [illegible] there.

Secure marriage

There [illegible] a further consideration, of equal importance. Since the Community's inception, its leading members [illegible] France and Germany. The Bonn-Paris understanding has not invariably been based on [illegible] mutual desire [illegible] exclude Britain; London has excluded itself. Now Mr Major is seeking to build relationships with Mr Helmut Kohl, the German chancellor, [illegible] President [illegible] Mitterrand of France. He cannot hope to break the Franco-German [illegible], which [illegible] secure, but – given time and much effort – Britain [illegible] aspire [illegible] part [illegible] European [illegible] à trois.

[illegible] have conspired [illegible] make this [illegible] least a possibility. The new Germany, freshly united, is searching for a foreign policy of its own; it is naturally more open to overtures from a friendly British government than were either of the two old Germanys. France, not wholly comfortable with a German neighbour [illegible] such [illegible] and *potential* [illegible] to Britain, a fellow nuclear power and a *fellow member* [illegible] the United Nations Security Council, as [illegible] counterweight.

It is [illegible] this [illegible] Major makes [illegible] distinct difference. *Mrs Thatcher was known* to be deeply suspicious of Germany. [illegible] she was prime minister, [illegible] could not bring themselves to agree with her in public; they therefore moderated their expressions [illegible] *the pace of move*ment towards European monetary union. Mr Major's meeting with Mr Kohl in Bonn on Monday may lead to a more robust [illegible] approach [illegible] the intergovernmental [illegible] on Emu, *unhampered by the need* to protest [illegible] Britain's formerly intransigent approach.

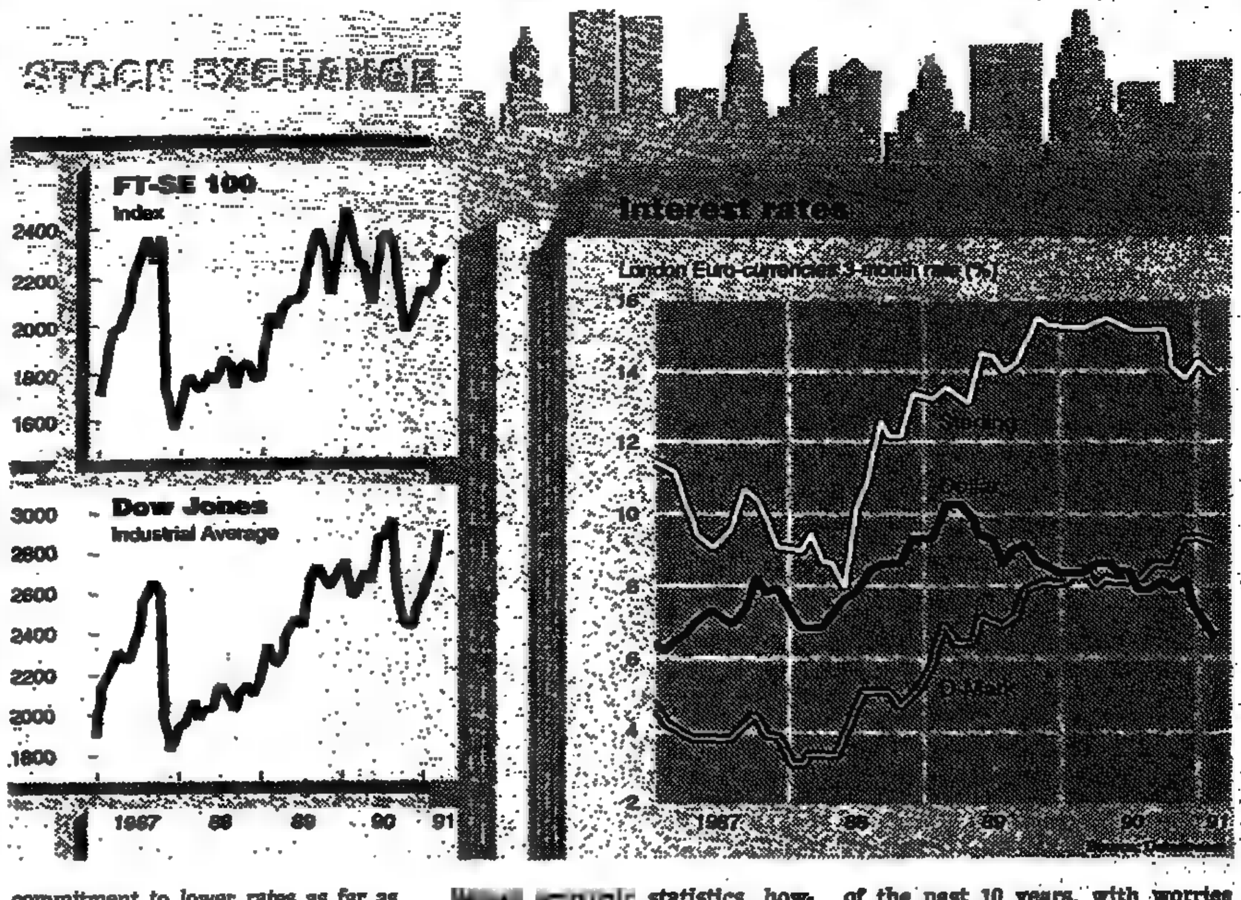
Economic convergence

Since the French [illegible] them[illegible] *beginning* [illegible] *appreciate* that economic convergence must rationally precede [illegible] tary union [illegible] chances of reaching a tripartite [illegible] improved. Again, when it comes to the conference on political union, the *Germans* are traditionally relaxed about *federal or confederal struc*tures, while the French are as conscious of their national sovereignty as the British.

In theory, therefore, Mr Mitterrand should be Mr Major's natural ally in heading [illegible] moves towards a single security policy managed by the EC on a majority vote, just as Mr Kohl should be an ally in putting off the date on which a single currency is introduced. That would get the British Conservative party off the hook in the run-up to a general election. Matters European are never as simple as that. France and Germany remain committed to the long-term goals of economic, monetary and political union. Both are willing to compromise in order to [illegible] packages [illegible] Britain. The EC will not be [illegible] federa*tion*; [illegible] *is* [illegible] in a [illegible] nism for the constant revision and reaffirmation [illegible] between nation [illegible]. In this [illegible] nothing [illegible] changed. But if Britain is willing to [illegible] promise in order [illegible] maintain a Europe of the Twelve, everything has changed.

Tony Jackson, Michael Prowse and Patrick Harverson explain why world stock markets are buoyant at a time of war and recession

The bulls start to charge again



TO [illegible] casual eye, the behaviour of world stock markets in the past [illegible] or two has been even [illegible] usual. [illegible] year could scarcely have [illegible] worse: war, recession, omi[illegible] in [illegible] world banking system and mounting chaos in [illegible] Soviet Union. The [illegible] Wall [illegible] a buying panic. *On Monday*, the [illegible] Jones [illegible] jumped [illegible] points to within striking distance of [illegible] all-time high.

Other markets [illegible] dragged along in [illegible] Street's wake: [illegible] by 6 per cent since the turn of the year, Tokyo and Frankfurt by 5 per [illegible] of [illegible] is the product of rational analysis. The rest is trickier [illegible] explain.

An important and paradoxical ele[illegible] in [illegible] psychology [illegible] Gulf [illegible] itself. *For* [illegible] and [illegible] effect has [illegible] sharply [illegible] uncertainty [illegible] downturn in [illegible] activity. [illegible] for [illegible] markets, which [illegible] tainty above all, the effect of the war [illegible] the [illegible].

[illegible] could [illegible] argued [illegible] markets *did* [illegible] worrying [illegible] August and [illegible] of [illegible] fighting. [illegible] then, they have convinced themselves [illegible] a relatively [illegible] affair. Above all, the [illegible] cern had [illegible] the oil price. But [illegible] outbreak of [illegible] oil [illegible] fell by [illegible] third. It [illegible] scarcely moved [illegible].

[illegible] *unexpected outcome*, [illegible] pivotal event for [illegible] markets [illegible] days [illegible] by [illegible] interest [illegible]. Confusingly enough, [illegible] came the day [illegible] authorities [illegible] rates. [illegible] markets [illegible] have [illegible] no difficulty in deciding which signal [illegible] follow.

"The overriding factor everywhere," [illegible] Roger Palmer of [illegible] London [illegible], "is that interest rates have peaked. The degree [illegible] which [illegible] *have* [illegible] depended on [illegible] things: first, where each [illegible] on the interest *rate downswing*; second, how much liquidity there [illegible] in [illegible] people [illegible] holding it."

[illegible] picture in individual markets [illegible] complicated by [illegible] in timing within [illegible] economic cycle. In [illegible] US, the clear belief is [illegible] the *loosening of* monetary policy [illegible] further [illegible] go.

Mr Alan Greenspan, [illegible] chairman, [illegible] repeatedly that [illegible] is not [illegible] with [illegible] slow growth of [illegible] monetary aggregates. [illegible] half-point cut [illegible] the discount [illegible] confirmation [illegible] prepared to [illegible] policy [illegible]ly. Indeed, the decision to turn on [illegible] monetary taps is reminiscent of the easing by the former Fed chair[illegible] Mr Paul Volcker in [illegible] ushered *in one of the longest stock*-market rallies in post-war history.

It could be argued that the markets did their worrying between the invasion of Kuwait and the outbreak of fighting

Expectations of easier money were fuelled yesterday by remarks in the Economic [illegible]port of the president. Mr Michael Boskin, the White House chief economist, said the Fed should [illegible] that a decline in interest rates is not necessarily [illegible] sign of monetary easing; it could merely reflect reduced demand for money. He says the Fed may need to reconsider its preliminary target for *M2* growth this [illegible], which is [illegible] per cent to [illegible] per cent. Mr Greenspan may announce revised targets in [illegible] week's Humphrey Hawkins testimony to Congress.

Mr [illegible] Giordano, [illegible] mist at Goldman Sachs in New York, says the market rally reflects a belief both that the Fed has made [illegible] "mental commitment to lower rates as far as necessary to stabilise the economy" and that monetary policy will be effective in reviving growth. [illegible] pessimistic view of some Keynesians that *monetary policy is like "pushing on a* piece of string" is rejected by most analysts. So [illegible] that [illegible] worsening credit crunch [illegible] deflating [illegible] values will pull down the economy.

The [illegible] factor supporting [illegible] rally is confidence that the US recession will be short and shallow. This reflects the view that companies are keeping [illegible] control of inventories, that inflation is much less of a concern than in previous downturns, that *lower oil prices will increase* [illegible]ers' confidence and purchasing power and that the weak dollar will support continued strong growth of exports.

It is becoming hard to locate a pes*simistic forecaster*. The latest consensus forecast of 52 blue chip economists shows GNP falling at an annual rate of only 1.3 per cent this [illegible] compared [illegible] 2.1 per [illegible] in the fourth quarter of 1990. Recovery begins in the spring with growth at an [illegible] rate of [illegible] per [illegible] in the second quarter, rising to 2 per cent in [illegible] 2.6 [illegible].

Mr Boskin's report is suffused with economic optimism. It portrays the [illegible] as a blip: a temporary interruption that will be followed by [illegible] prosperous [illegible] of rising labour productivity and growth. [illegible] onwards, the White House *confidently* predicts growth in excess of 3 per cent a year with interest rates sticking at 6 per cent or below.

[illegible] statistics, however, give no indication of an early recovery. [illegible] confidence, as measured by the Conference Board in N[illegible] York, plunged in J[illegible] its [illegible] *for* [illegible]. The [illegible] confidently expected good January employment figures. In [illegible] jobs [illegible] in [illegible] non-farm sector. The losses were concentrated [illegible] manufacturing and [illegible]. Overall, about 900,000 factory jobs [illegible] disappeared in [illegible] past two [illegible], half in [illegible] past five months.

The Purchasing Managers' Index, a widely watched gauge of industrial conditions, [illegible] fell sharply in Janu*ary to 37.7 per cent* [illegible] *40.5 per cent* in December. This was a much bigger fall than expected and took the index to its lowest level since May 1982. A level of 44 per cent [illegible] below is gener*ally taken to indicate an economy*-wide recession.

Dr [illegible] Norwood, [illegible] of [illegible] Bureau for Labour Statistics, says some sectors – [illegible] as [illegible] – have been harder hit in recent months than in 1981-82. The decline in manufacturing employment is [illegible] comparable [illegible] one includes the heavy job losses before the recession proper began. She says the dismal employment figures for January give no indication of an improving tone in the economy this quarter.

But there are more specific reasons for [illegible] rally. There [illegible] been [illegible] waiting to get back into equities. *At the end of December 1990 11.4 per* cent of the total assets of US mutual funds – some $28bn – was held in cash. This was high by the standards of the past 10 years, with worries about war, recession and declining corporate profits persuading institutions to avoid the stock market. Much of that is now going into shares.

Market sentiment also pointed to a market recovery. Stock-market analysts like to look at sentiment indicators on a contrarian basis. The more people are pessimistic, the likelier that the bulk of the selling is over. Investors Intelligence, a US research organisation, conducts [illegible] weekly survey [illegible] approximately 150 investment advisers. At [illegible] of the second week in January, 54.3 per cent of those surveyed were [illegible], one of *the highest* [illegible] *June 1983*.

Portfolio managers saw the survey as evidence that the bear market was near its end. As one economist put it, the figures suggested mid-January was [illegible] "low-risk entry point" into the market.

Then there was *the question of val*uation; were US stocks cheap in mid-January? Mr Ken Spe[illegible] mar[illegible] economist at Salomon [illegible], says the earnings yield gap suggested just that. [illegible] gap between yields on the Standard [illegible] Poor's 500 index and [illegible] 10-year US government bonds was only 115 basis points in the middle of last month, at the lower end of the historic range *of zero to 400 basis* points. "Stocks were not dirt cheap, like in 1982 and 1988, but at the low end [illegible] their 10-year [illegible] and [illegible] attractive," says Spence.

Finally, a technical analysis of the market suggests that the recent rally is [illegible] fundamental change in [illegible]. Technical analysts look at breadth – *the difference* between the number of stocks that rise each day and the number *that* fall – and volume, the daily turnover of shares. Before mid-January breadth *and* volume were contracting on sell-offs. Since mid-January, both have been expanding on rising prices.

Taking all these factors together, a growing number of Wall Street economists are *convinced* that the bear market is over. "The momentum surge and the *decline* in interest rates *indicate* the emergence of a new bull market," says Ken Spence.

Yet not every*one* is taken in by the recent rally. There has undoubtedly been an element of panic *about* the buying *as* investors rush to make sure they do not miss out on the birth of a bull market. "A feeding *frenzy*", was how Mr Scott Black, a fund manager with Delphi of Boston, described it.

Mr Black says that investors are overlooking the fundamentals and bidding stocks up to "*ridiculous*" levels. "*The market* is way over-priced at the moment," he says.

The buying has been *spread* across all sectors. The bellwether stocks – IBM, General Electric, Philip Morris – have been in the vanguard, as have secondary technology and healthcare stocks. But investors *have been* picking up even the sickliest stocks, with the airlines and banks, two sectors in financial trouble at the moment, enjoying strong gains.

Mr Laszlo *Birinyi*, one of Wall Street's best-known commentators, views the recent rises with mixed feelings. "The market was too pessimistic before January 16 (when the war *started*), and it was too optimistic after." He thinks a temporary correction is likely, but does *not forecast* a sustained downturn in prices. "The market is just so strong; *it* doesn't even bend a little."

Across the Atlantic, the view is less *sanguine again*. Mr Roger Palmer of Kleinwort argues that Wall Street is presently valued on *16 times this* year's earnings, against a 10-year average of 12.9 times. The UK market, by contrast, is on only 11.5 times earnings against a 10-year average of 12.1 *times*.

There is, perhaps, one striking difference. If the US recession *turns out* to be conventional in character and duration, it would be quite logical for the US market to be looking forward to recovery by this stage. Indeed, this *is precisely what happened in the UK* market in the recessions of 1974-75 and 1980-81.

But the UK may be in deeper waters. Membership of the exchange rate mechanism makes it unlikely that this recession will be anything like conventional. The UK went into recession some months before the US did. In conventional terms, a stock market recovery might thus be overdue. *But the UK is now bound* much more closely to the economy of Germany, which though perhaps *slowing* down shows no sign of recession at all. It is even [illegible] that German interest rates have further to rise.

UK membership of the ERM makes it unlikely that this recession will be anything like conventional

Germany apart, though, the central thesis holds good. US interest rates *are probably headed further down*. So are those in the UK and [illegible], the only question being timing.

But there remains one flaw in the bullish argument, which brings us back to the war again. "Every fund manager believes," says Roger Palmer, "that whenever the end of the war is in sight, the market will *rally*. When you have [illegible] consensus like that, contrarian common sense [illegible] it must be wrong."

OBSERVER

Left hand right hand

■ Yesterday was [illegible] classic for revealing the terrible incoherence at the top in the Soviet Union. It became more than *ever obvious that the left hand* does not know what the right *is doing*.

First new Prime Minister Valentin [illegible] gave an extraordinary interview, accusing unnamed western banks of planning an economic [illegible] d'état by flooding the USSR with surplus [illegible] Vitaly Ignatenko, spokesman for President Gorbachev, was amazed: "I'm afraid that our money is not capable of changing the political system," he said.

But *Pavlov had gone further*. He declared that "production" in the Soviet Union was down by no less than 50 per cent in January, compared with one year ago. *Whereupon the FT* rang the government press *office to find out what he* meant by production.

Panic ensued. "The state [illegible] for statistics cannot find out what he is talking about," we were told. "They have checked every figure in their books, and nothing tallies. Please ignore the figure; it can't be right."

Third in line was the mighty KGB. Major-General Alexander Karbainov, *head of public rela*tions (sic), said the intelligence service had had 15 men on the scene at last month's shooting in Vilnius - and one had been shot dead.

An hour later General Viktor Grushko, now number two at KGB headquarters, *denied that* any [illegible] men had been in Lithuania at the time.

Budget interest

■ With less than five weeks to go before the UK budget, the guessing game on when the government will blink and cut interest rates is mounting by the hour.

Any pretence that UK interest rates are set by market forces is gobbledygook. [illegible] quick check back over the last dozen years suggests that even *if the Government cuts interest* rates in the next fortnight, it may well have a second salvo ready for budget week.

[illegible] Thomas, of [illegible] Greenwell Montagu, notes that the Government has left inter*est rates untouched at budget* time only three times since [illegible] came to [illegible]. Admittedly, [illegible] cut rates on budget day only once. But rates have been cut the day after on three occasions, and two days later on three occasions.

Nick Parsons, Union Discount's economist, sees Friday, March 22 as the magical date. The short sterling contract, which is already signalling a one percentage point [illegible] *rate cut, expires the day after* Lamont's first budget.

If base rates are not cut before then, the hot money merchants will be smarting. What better way for the Chancellor to prove that he's *in charge*?

Star gazing

■ When Ronald Reagan's wife, Nancy, consulted an astrologer *it* caused a storm. But in Tokyo, nobody is in the least surprised that top Japanese politicians, and their relatives, regularly consult fortune-tellers.

They usually seek advice on domestic matters, such as *furthering* their careers in the ruling Liberal Democratic Party, an organisation so complex that [illegible] star chart is probably as good [illegible] guide to its workings as anything else. But the Gulf War has added an international dimension [illegible] the soothsayers' work.

Reisei Noguchi, a blind 65-year-old *fortune-teller who lists* former prime ministers Yasuhiro Nakasone and Noboru Takeshita among his clients, has been in particular demand lately.

"The first [illegible] I've [illegible] and [illegible]"

His predictions cannot be [illegible] Saddam Hussein will be killed in [illegible] bombing raid on February 18 and the war *will end soon afterwards*. Mikhail Gorbachev will be removed from power in March and civil war could ensue. [illegible] George Bush will win [illegible] Gulf [illegible], he'll [illegible] year's presidential [illegible].

TVS saga

■ Can Rudolph Agnew, one *of the few survivors of* Hanson's successful battle for control of Consolidated Gold Fields, renew the lucrative TV franchise of TVS, the embattled entertainment group?

It looks a tough task. Less than two months after being parachuted *into* the TVS chairman's seat by nervous shareholders, the 55-year-old Agnew has just sacked James Gatward, the man who knew more about the business than anybody. Meanwhile, Agnew is criss-crossing the Atlantic in a desperate attempt to sell MTM, TVS's ill-fated Hollywood production company, *whilst helping prepare the* company's franchise bid.

Despite the upheavals, TVS should have no problem jumping the regulator's quality hurdle. But whether it can match the highest bidder is the big unknown.

It controls one of the plum TV markets. Moreover, close to London, it attracts the creative telly types who do not *want to live out in the sticks*, and has an upmarket audience catchment area, which the advertisers love. Clive Hollick's MAI and Richard Branson's Virgin, are just a couple of the outsiders eyeing up TVS's endangered territory.

Agnew's supporters are opti*mistic. They liken TV fran*chises to a butterfly's life cycle. The winners start small, but soon grow fat from the cash flow, before slimming down again in preparation for a renewed franchise bid.

The only *difference* is that TVS is being forced to slim down now.

Still fishing

■ *Latest sign that the current* recession in the UK is far worse than the last. Overton's, the posh fish restaurant in London's St James's, has cut *menu prices by 20 per cent and* is knocking nearly £7 off the cost of its lobsters. *Manager* Louis Georgiou says he cannot remember anything like this happening before in *his* 35 years in the business.

It seems to have worked the trick, however. A meal for two, plus wine, still costs around £70, but trade *is up by around* 50 per cent.

Competitors please note.

Boom Boom!

■ [illegible] taxi-driver joke: [illegible] the difference [illegible] IRA mortar shells and a City of [illegible] lorry gritting snow?

Mortar shells have actually been seen.

Richard Tomkins examines how the UK rail system failed to cope with severe weather conditions, in contrast to other European networks

BR [illegible] under pressure to prevent further chaos

There are two possible responses to the chaos which has afflicted British [illegible] services [illegible] snow began to fall last week.

One is [illegible] accept BR's argument that the [illegible] of investing in all the equipment necessary to keep the railways snow-proof could [illegible] be justified by the few occasions on which it would need to be used.

The other is to feel a sense of outrage that the normal operation of an advanced [illegible] can be severely [illegible]rupted by the railways' inability to [illegible] with [illegible] well-forecast cold snap in mid-winter.

Anecdotal evidence su[illegible] that the body of opinion is disposed towards the latter view rather than the former; and with rail [illegible] still far from normal, particularly in [illegible] south-east, the government and BR [illegible] under pressure [illegible] prevent a repetition.

One fundamental problem which [illegible] in their way [illegible] the fact that BR [illegible] under government press[illegible] operate a commercial railway: it [illegible] not part of its remit [illegible] keep [illegible] nation moving at [illegible] cost.

The result [illegible] that, while some [illegible] such as [illegible] and Switzerland [illegible] to [illegible] heavily in snow-clearing equipment because [illegible] affects them [illegible] a substantial part [illegible] the [illegible]. BR [illegible] it [illegible] so [illegible] such investment [illegible] produce an adequate return.

Last Thursday provided an example, [illegible] snow and [illegible] brought near-paralysis [illegible] the system by settling in the points, where trains change tracks, and preventing them from switching properly.

In Scotland, where [illegible] frequent, BR [illegible] been [illegible] justify [illegible] investment in [illegible] point [illegible] to prevent [illegible] happening. But in [illegible] south-east, [illegible] such [illegible] conditions [illegible] unusual, [illegible] cheaper and [illegible] powerful point heaters were over-[illegible] by [illegible] combination [illegible] the heavy snowfall, the exceptionally low temperatures and [illegible] of strong winds.

Yet points failure was only [illegible] of the [illegible] underlying the chaos that hit the network. Two other problems which arose once [illegible] points had been [illegible] to blame [illegible] financial [illegible].

● One was the icing-up of the sliding [illegible] new [illegible] trains operating on the Euston to Northampton line, the Essex [illegible] Liverpool [illegible], [illegible] the Thameslink [illegible].

The cause was simple. Slush trodden into the door runners [illegible] stopped [illegible] from closing properly. Failsafe [illegible] then prevented [illegible] moving, [illegible] blocking [illegible] to other trains.

[illegible] more [illegible] was [illegible] cure. The doors are now being opened and closed more often to [illegible] icing up. In [illegible] longer term, drainage [illegible] will be fitted in the runners to stop water collecting there in the first place.

The question this raises is why such an apparently elementary [illegible] was [illegible] incorporated when the [illegible] – supplied over the [illegible] four [illegible] by Brel, [illegible] now-privatised engineering [illegible] of British Rail – [illegible] built. It [illegible] original specification was defective, [illegible] that it [illegible] the rolling [illegible] did [illegible] it. Whichever [illegible] case, incompetence seems [illegible] been a [illegible] important ingredient than shortage [illegible].

■ The second factor was [illegible] widespread failure [illegible] traction [illegible] trains. This happened [illegible] snow [illegible] sucked into the engine-cooling intakes, [illegible] them, and caused the engines [illegible].

BR [illegible] happened [illegible] of [illegible] of [illegible] which fell. At temperatures [illegible], snowflakes are fairly [illegible] and [illegible] to [illegible] together, forming larger flakes which fall [illegible] the ground quickly. [illegible] last week's snow fell during abnormally low temperatures, it was unusually dry and powdery.

Again, [illegible] this problem arose, [illegible] blamed on [illegible]. [illegible] says [illegible] looking [illegible] modifications which [illegible] prevent [illegible] recurrence. Snow like this, however, [illegible] unprecedented. Why, [illegible] question must [illegible] was BR not ready for it?

BR has argued with some [illegible] not [illegible] suffering in significantly greater d[illegible] than those in comparable European countries. This [illegible], however, [illegible] to be borne out by the [illegible] experience.

[illegible] French [illegible] railway (SNCF), [illegible] example, [illegible] temperatures plunged [illegible] as −15°C, 200 of [illegible] 550 morning peak commuter trains in the Paris region [illegible] no trains [illegible] cancelled except on the suburban RER lines, jointly run by SNCF and [illegible] bus and [illegible] authority.

[illegible] long-distance lines, [illegible] high-speed TGV from Bordeaux to Paris was delayed by more than [illegible] hour [illegible] of [illegible] in [illegible] France; but in [illegible] d'Azur, [illegible] ran normally despite some of [illegible] country's [illegible] snowfalls.

In [illegible] Netherlands, meanwhile, [illegible] height of [illegible] on Friday, some trains in the evening rush-hour were delayed by up to half an hour because of broken-down trains blocking important junctions. Bad road conditions [illegible] meant that many train drivers arrived late for their shift. But practically all trains ran that night, albeit somewhat delayed.

Since Saturday morning, Netherlands railways [illegible] been operating according to their emergency winter timetable. This means that passengers travelling to the [illegible] north [illegible] east [illegible] country have to change trains once or [illegible] during their journey, apparently because it is [illegible] practicable [illegible] couple and uncouple trains during their journey. Usually, though, trains for [illegible] north and east are split and regrouped at central junctions such as Utrecht, Zwolle and Amersfoort. This means that passengers from big cities such [illegible] Amsterdam, Rotterdam and The Hague [illegible] to change only once or, often, not [illegible] all.

Against a background [illegible] public dissatisfaction with British Rail's performance over the past week, [illegible] number [illegible] possible courses [illegible].

● One [illegible] already under way. BR engineers, it was confirmed yesterday, [illegible] tries in northern Europe to see at first-hand what measures are used in [illegible] snow conditions [illegible] – and at what cost – they could be applied in the UK.

● [illegible] could be for an examination of the relationship between [illegible] and Brel, an organisation which [illegible] retain [illegible] near-monopoly in [illegible] supply [illegible] rolling stock to British Rail in spite [illegible] in [illegible] has fallen down on supply or [illegible] trains have not performed [illegible]isfactorily.

● Third, BR has promised [illegible] investiga[illegible] what went [illegible] when the snow fell and how many [illegible] problems can be prevented from recurring. Many passengers [illegible] of the inquiry [illegible] be [illegible] public.

■ Fourth, [illegible] financial difficulties [illegible] making the trains run in the snow needs to be examined. No [illegible] have [illegible] about the cost to the economy of the disruption: similarly, no [illegible] are [illegible] the money that would have to be spent to prevent such disruption recurring. It [illegible] just possible that the second figure may be smaller than the first. If [illegible], [illegible] refusal [illegible] spend [illegible] money would be [illegible]. But the calculations need to be made.

Additional reporting by George Graham in Paris and Ronald van de Krol in Amsterdam.

Trevor Humphries

And on the [illegible] day . . . a train [illegible] to go into London Bridge station yesterday

BR's claims about the financial difficulties of making the trains run in the snow needs to be examined

Merger activity involving state-owned companies

A grey area in need of clarification

By Nick Gardner

The [illegible] prohibition by *the UK Monopolies and Mergers Commission of the sale of ICI's fertiliser* [illegible]ness to the Finnish [illegible], Kemira, [illegible] criticised on two grounds.

First, the commission's attitude to the fact [illegible] Kemira [illegible] said to be inconsistent with its treatment [illegible] companies in [illegible] cases; second, trying [illegible] preserve competition by preventing the [illegible] said to be [illegible] when ICI, in [illegible], [illegible] plants which cannot be sold.

But the complaints need to be put into perspective. The *state ownership of Kemira* had little influence on the commission's recommendation. In the concluding section [illegible] its report, Kemira's state ownership [illegible] mentioned in only the [illegible] of the eight sentences of explanation. It [illegible] clear that [illegible] conclusion would have [illegible] same had Kemira been privately owned.

The [illegible] arising from [illegible] ownership had, in [illegible], been largely settled in the [illegible] earlier [illegible] to the commission. The Department [illegible] had proposed that [illegible] should adopt "the general presumption [illegible] acquisitions by state-controlled [illegible]panies [illegible] likely [illegible] on [illegible] public [illegible] unless [illegible] off-setting [illegible] in [illegible] individual case". [illegible] commission replied [illegible] "... we [illegible] unable [illegible] accept that [illegible] look [illegible] terms, [illegible] has [illegible] suggested, [illegible] general presumption". [illegible] Trading Act, it added, "appears [illegible] exclude any presumption, [illegible] or law".

That [illegible] did not amount [illegible] an outright rejec[illegible] *of* [illegible] *DTI's arguments* – which [illegible] companies always [illegible] favoured access [illegible] finance; [illegible] they can [illegible] expected [illegible] efficiency by acting uncommercially; [illegible] that there is a danger of damaging [illegible] by [illegible] governments which own them.

The commission did [illegible] Kemira's favoured access [illegible] could [illegible] market [illegible] by enabling it [illegible] [illegible] competitive pressures until conditions [illegible] more favourable.

But that would not have been considered relevant had the question of market [illegible] not [illegible] issue – as was made clear by [illegible] commission's recent clearance of the acquisition of Woodchester by Crédit Lyonnais. The possibilities of uncommercial behaviour or [illegible] damaging [illegible] intervention were examined and dismissed as unlikely, as they had been in connection with the merger of the guided-weapons businesses of BAe and *Thomson-CSF.*

On that evidence, the com*plaint of inconsistency seems* unjustified and the message to the business community seems clear. The favoured access to finance enjoyed by state-controlled industries will be taken into [illegible] only if [illegible] significant amount [illegible] market power is [illegible] issue, while the possibili[illegible] uncommercial behaviour or of damaging [illegible] intervention will be taken into [illegible] only if there [illegible] evidence to suggest that such outcomes are likely.

The complaint [illegible] failing to take account of the closures of ICI plants which might occur if they could not be [illegible] also to be unjustified. The commission [illegible] might [illegible] fairly soon, and that complete [illegible] might ultimately follow; [illegible] it [illegible] that prohibition [illegible] their [illegible] would [illegible] in closure of all [illegible] plants in [illegible] future, and [illegible] other prospects might open up in the meantime.

There is nothing implausible about [illegible] conclusion. Had evi[illegible] in rebuttal of [illegible] view [illegible] offered, [illegible] into account, [illegible] reported [illegible] "ICI [illegible] present [illegible] up-to-date information [illegible] projections [illegible] which [illegible] would [illegible] vented".

The crucial [illegible] by [illegible] Kemira/ICI [illegible] that of assessing [illegible] in [illegible] doubts [illegible] concerning [illegible] commission's decision. The case for blocking the [illegible] depended entirely upon the contention that the acquisition of a 40-50 per cent market share by Kemira would enable it to exploit *the market.*

In response [illegible] ICI's claim that [illegible] would be [illegible] by competition from imports, the commission argued that imports would be restricted by handling and shipping costs (the [illegible] per cent of market share [illegible] for by imports, the commission added, was the result of world-wide overcapaci[illegible] which [illegible] did not expect to [illegible]. Yet this has provoked further doubts [illegible] the apparently central [illegible] *of transport* [illegible] no more than a pass*ing mention elsewhere in the* report, and [illegible] ICI [illegible] transport [illegible] might [illegible] no [illegible] than 10 per cent to prices.

[illegible] may be [illegible] the commission's decision, the DTI's position needs clarification. It has adopted [illegible] policy of referring [illegible] cases [illegible] commission on the grounds that the [illegible] trolled, even where (as in the [illegible] of Credit Lyonnais/Woodchester, [illegible] and Elf Acquitaine/Amoco) there [illegible] significant acquisition of mar[illegible] power. [illegible]ther the DTI must abandon [illegible] policy [illegible] it [illegible] alter the commission's terms of reference by legislation. Those [illegible] anachronistic, requiring the commission to take account [illegible] "maintaining and promoting [illegible] distribution of industry and employment in the UK" [illegible] enabling it [illegible] take [illegible] "all [illegible] which appear [illegible] them ... to be relevant".

The projected replacement of [illegible] bring [illegible] into [illegible] European Community [illegible] – [illegible] responsibility [illegible] enforcement [illegible] mission – will involve the revision of similar [illegible] of [illegible]. It [illegible] scarcely possible [illegible] contemplate [illegible] present open-ended char[illegible], and [illegible] introduction of a presumption against acquisitions by state-controlled companies.

Nick Gardner is the author of A Guide to United Kingdom and European Community Competi[illegible] Policy (Macmillan [illegible]

LETTERS

Way to ease Poland's debt problem

From Professor Mike Faber.

Sir, It is timely that [illegible] ("Debt relief [illegible] Poland", February 8) should remind us [illegible] extent to which the recovery [illegible], [illegible] largest creditor, was [illegible] the Second World War by [illegible] financial support [illegible] red[illegible].

The London Accord [illegible] 1953 granted [illegible] Germany [illegible] reduction in her inter-war international obligations which, in present [illegible] terms, was in [illegible] range [illegible] to [illegible] per [illegible].

[illegible] of [illegible] London [illegible] position with [illegible] creditors in [illegible] suggest:

First, the [illegible] of [illegible] governments to grant comprehensive debt relief [illegible] always [illegible] on political grounds (usually [illegible] a [illegible] profound government change [illegible] country); only when that decision [illegible] been made will financial and [illegible] as [illegible] amount [illegible] relief [illegible] be heeded;

[illegible] creditors' reluctance to agree [illegible] relief [illegible] not spring mainly from a belief that if they do not do so, their debts will be [illegible] in full [illegible] apprehensions: (a) [illegible] if any [illegible] creditor [illegible] readily, competing creditors will do better, and (b) that this particular concession will be cited as [illegible] precedent by other debtors;

Third, [illegible] determining [illegible] much can [illegible] repaid, what [illegible] be financed internally [illegible] minimal inflation [illegible] accorded equal weight with balance of [illegible] possibilities;

Fourth, both the West German and the Indonesian compositions were necessary yet, as things turned out (for example, West Germany's [illegible] miracle and the post-1970 oil price rise), both countries could have repaid more than the [illegible] allowed: realisation of this will make "claw-[illegible]" or "recapture" [illegible] an [illegible] of future compositions;

Fifth, given the identity [illegible] main creditors, Indonesia's [illegible] 1970 is [illegible] more relevant model [illegible] the London Accord;

Sixth, [illegible] important factor in the Indonesian [illegible] was [illegible] preparation by [illegible] independent expert (the [illegible] Mr Hermann Abs) [illegible] a proposed scheme around which all parties negotiated.

If Poland's external debt position is [illegible] be resolved, a similar appointment, agreed to by both [illegible] main creditors, would be [illegible] constructive [illegible] step.

Mike Faber
Institute of Development Studies,
University of Sussex,
Falmer.

The need for export credit for eastern Europe

From Mr Albert H Hamilton.

Sir, Your survey, [illegible] Europe in [illegible] (February 4), makes [illegible] the newly-independent countries [illegible] Europe [illegible] to develop their economic and political systems in [illegible] manner, they [illegible] access to [illegible] of imported capital.

While [illegible] pre-independence debt [illegible] be treated with leniency by [illegible] creditors, [illegible] newly-incurred [illegible] is [illegible] in [illegible] timely manner, banks and others will [illegible] lending.

Perhaps [illegible] expensive [illegible] cost-effective step would be [illegible] establish, [illegible] have all [illegible] member governments, national export credit agencies [illegible] would [illegible] private [illegible] buy inputs on credit, and extend [illegible] their overseas buyers appropriate deferred payment [illegible].

Unless importers [illegible] granted credit by their suppliers, they will [illegible] procurement [illegible] sources. Working [illegible] a firm that has [illegible] establish [illegible] improve export credit [illegible] in [illegible] countries, I assure you that export pro[illegible] programmes, without export credit, can [illegible] but limited [illegible].

Albert H Hamilton,
[illegible] Washington Associates,
1501, [illegible]
Arlington, Virginia

Explanations for railway chaos

From Mr [illegible].

Sir, "It's [illegible] fault, it's [illegible] fault [illegible] weather", said [illegible] British Rail official yesterday morning in an attempt to explain, justify [illegible]d excuse the [illegible] condition [illegible] network in the snow.

Having spent more than 20 [illegible] in France, I [illegible] British Rail employees [illegible] only people capable [illegible] making such [illegible]. Among [illegible] French drivers who, after having had [illegible] motor car [illegible] in bad weather, invariably say: "[illegible] *la faute de la route, vous savez, ah, mais oui.*"

So much [illegible] stupidity. But we now get to the root of the current problem. I [illegible]eard another British Rail official say yesterday that the investment required to cope with the snow [illegible] justified [illegible] period.

The fallacy in this argument [illegible] that while perhaps an investment in [illegible] a pri[illegible] motor [illegible] judged unnecessary [illegible], it should [illegible]bered [illegible] private motor [illegible] is, by definition, private and the only person to s[illegible] consequences [illegible] the [illegible] of investment will therefore [illegible] owner.

Since British Rail [illegible] other hand claims to run a public service (for which it [illegible] paid), that particular investment criterion no longer applies.

William Robinson,
26, Curlew Avenue,
Lower H[illegible]
Sittingbourne, [illegible]

Fax service

LETTERS [illegible] Editor [illegible] on [illegible].

[illegible] should [illegible] clearly typed and not handwritten. [illegible] machine [illegible] fine resolution.

Readers with an electronic mail service [illegible] use that [illegible] computer-to-computer link, but should first [illegible] our computer [illegible]partm[illegible] on 071-873 4893.

Gem industry's sparkle returns

From [illegible] Schnitzer.

Sir, Hugh Carnegy's article ("Israel gem industry loses [illegible] sparkle", February 7) unfortunately offers a [illegible] dis[illegible] view of Israel's principal export during the Gulf war.

Whil[illegible] your correspondent [illegible] on the still partly empty cup, [illegible] almost-filled [illegible] might be the real news in [illegible] unusual [illegible].

A world jewellery [illegible] which [illegible] dependent upon Israel cutting [illegible] gem dia[illegible] understand that Israel's diamond industry [illegible] back to near-normal operations. Production [illegible] 80 per [illegible] full-time levels, and the Diamond Exchange [illegible]plex is fast returning to business as usual.

[illegible] polished diamond shipments [illegible] $309m [illegible] January 1991, compared to $274m during the same month last [illegible], certainly points [illegible] an industry overcoming [illegible] global situation, even if [illegible] expecting regular profit margins this month.

The [illegible] is that diamond pro[illegible] exports are [illegible] back [illegible] pre-crisis figure. This is the good news for those [illegible] buy and use polished diamonds, [illegible] for [illegible] supply [illegible] rough [illegible].

Moshe Schnitzer
President,
[illegible] Exchange,
[illegible] Gan, [illegible]

Better share option schemes

From R A Ledingham.

Sir, One of the best ways to improve executive share option schemes is to index the option price using the FT (or a similar) index.

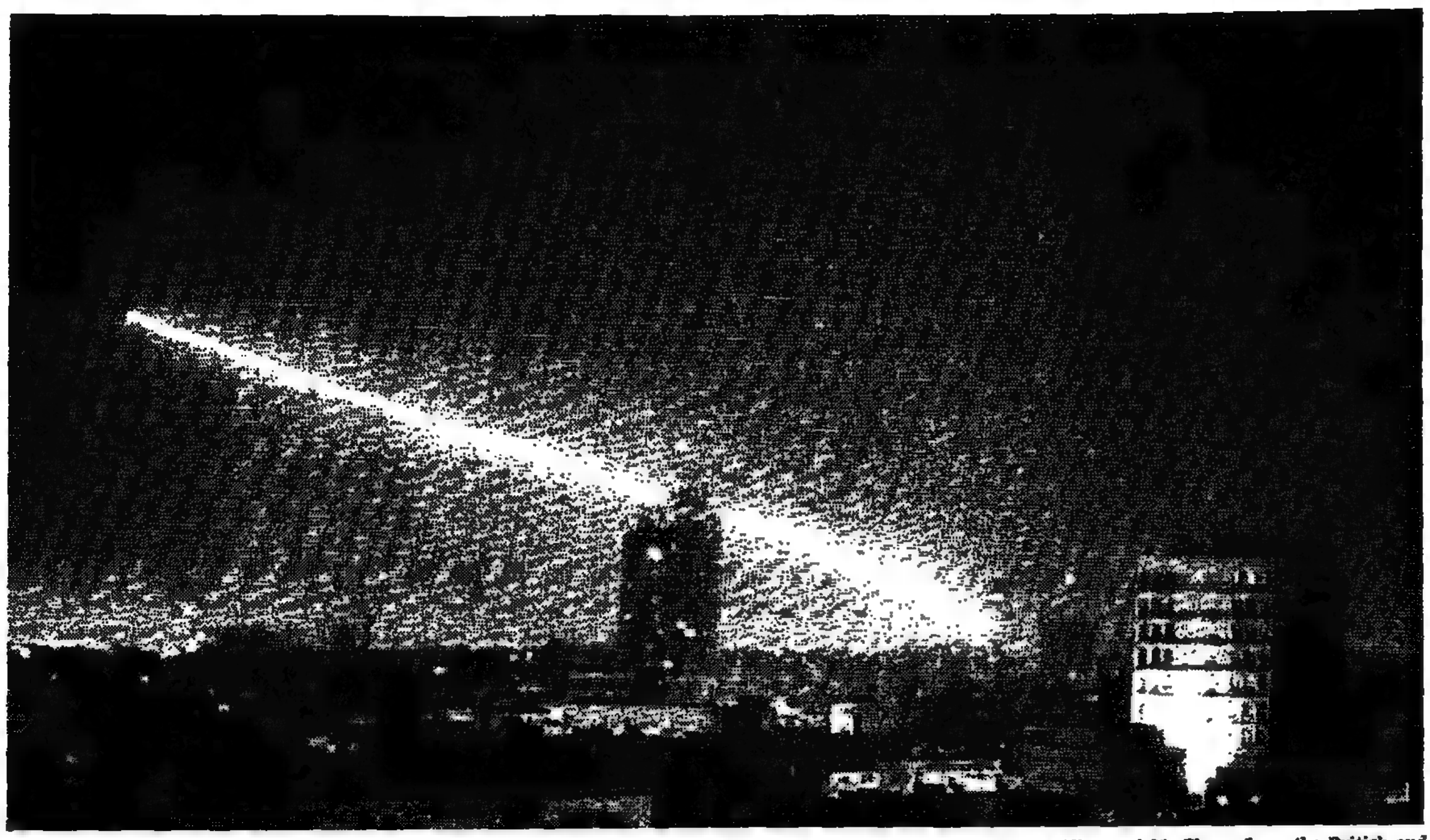
Such an option rewards specific corporate performance with no effect from total market changes, it can be held for long periods at little risk and it allows no possibility of unreasonable dilution [illegible] existing shareholders' interests.

There is little [illegible] from such an option [illegible] an indexed executive share option scheme can [illegible] further improved by removing [illegible] word "executive" [illegible] its [illegible].

R A Ledingham,
[illegible] View,
Hethe, Oxon.

هكذا من الأصل

FINANCIAL TIMES
Wednesday February 13 1991



A PATRIOT rocket is fired at an Iraqi Scud missile during an attack on Israel yesterday, while [illegible] allied forces attacked a concentration of Iraqi forces in south-eastern Kuwait with bombardments from air, sea and land in the largest such combined operation since the war began, write Victor Mallet in Riyadh and Peter Riddell in Washington.

US Marines aircraft, together with Saudi multiple rocket launchers, Marines artillery and the big guns [illegible] the USS Missouri, attacked Iraqi tanks, artillery pieces and [illegible] in what military spokesmen described as a successful test of [illegible] in a complex alliance operation. No further details were immediately available.

In Washington, President George Bush and his senior advisers briefed the British and French [illegible] ministers on the US decision to stick to the current bombing campaign against Iraqi military targets and forces and not to be rushed into a full-scale ground war for the time being.

Mr Tom King and Mr Pierre Joxe, the British and French defence ministers, had a parallel round of meetings at the Pentagon and the White House to review the situation. They had private [illegible] with Mr Dick Cheney, the US defence secretary, and received an intelligence briefing from senior advisers and then met Mr Bush. The [illegible] were being presented as an [illegible] of what has happened in the war after four weeks, rather than as a prelude to [illegible] new decisions.

THE LEX COLUMN

The fog on BA's flight path

Lord King of British Airways was in fine form yesterday, berating UK regulators with images of British sparrows and American eagles. The more immediate issue arising from the third quarter figures is whether BA will hold its final dividend. Given the sacrifices being made by the workforce, anything other than a non-committal reply would presumably have been inappropriate yesterday. No doubt BA hopes the Gulf nightmare will be over and business will be picking up again by the time it comes to its decision in May. But at this stage it can hardly even contemplate risking the displeasure of the market. With perhaps £6bn to find for the 72 new aircraft either ordered or committed, BA is likely to need a rights issue before that ambitious programme is complete.

In the meantime, the slump in airline demand is putting BA's management skills fully to the test. Even before President Saddam entered Kuwait, a programme had been put in hand to find £200m of cost savings per [illegible]. Now another £250m at least is being lopped off capital spending, advertising has virtually come to a halt and planned capacity for the forthcoming year is being cut by 13 per cent. The real challenge for BA [illegible] avoid an all-out price war as it struggles to bring traffic volume and capacity into line. [illegible] Pan Am desperate for cash to stay alive, this will not be easy.

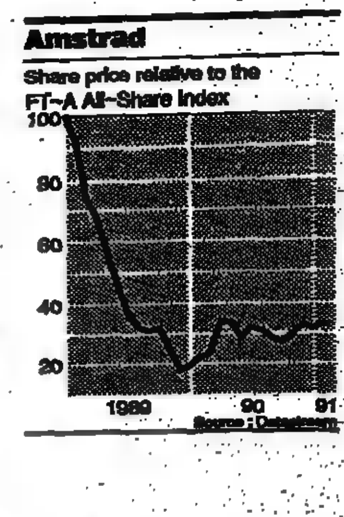
BA's supporters argue that if it can weather the storm it will emerge stronger than most of its international rivals. But there is room for scepticism over its ability to enter the US even if the market is finally prised open. Nor is the threat [illegible] European airlines going away, judging by yesterday's request from Sabena to the Belgian Government for a cash injection of BFr12bn and a BFr17bn debt write-off.

Reuters

Thank goodness [illegible] is skilled at one [illegible] of providing information. Its ultra-defensive presentation yesterday of perfectly resp[illegible] full-year results might have been justified by the worsening trading outlook. It scarcely sat well with the group's [illegible]-image.

The only surprise in the numbers was the large increase in [illegible] position to £217m, thanks mainly to an ACT pay-back. Interest income increased by more than half to £30m; thus pre-tax profits, with the extra help of a £6m second half currency gain, fell very neatly on the management's forecast of £320m. The lack of reaction in the shares suggested the market was unpersuaded by the 15 per dividend increase. Without a better idea of the trend in future profits, investors in London clearly think the shares at 772p are on a Wall Street rating and might suffer in style should that market succumb to a fear of heights.

As for the outlook, while the strategy of increasing the yield per terminal and selling transaction-based products forms a [illegible] platform, the pressure is mounting to bring to market its two main new products, Dealing 2000-2 and Globex. The strength of interest receivable should provide some shelter from the accelerating contraction of Reuters' natural markets, although the cash might be better spent on speedier product development than left in the bank. Costs will be as difficult to contain this year as they were in the second half of 1990, so operating income could easily decline as cancellations take effect. Double-digit earnings growth has now been ruled out by management. A double-digit fall would not be a surprise.



Amstrad

Yesterday's nine per cent slide in Amstrad's share price to 63p looks fair as a first reaction to its interim pre-tax profits of £40m and bleak news about December and January trading in the UK. True, in Germany Amstrad's satellite dish sales are still booming, but there are no signs of any significant recovery in Mr Sugar's personal computer business in Britain. Add to that the indicators of how badly French consumer confidence has slipped since January 15 and it is hard to see Amstrad making much more than £5m of taxable profits for the second half of the year. That implies that in some months, Amstrad will actually have been trading at a loss.

However, it would certainly not do to start declaring Amstrad back in trouble on the basis of these figures. After the recent attention to cash management and stock control and last year's cleaning up of its messy operation in Spain, Amstrad will almost certainly come out of the recession in much better shape than it went in. The turnaround from peak net debt of £114m in 1990 to net cash of £40m now is no small achievement. In terms of the quality of the product range, the real test of whether Mr Sugar can regain momentum may only come next Christmas, when something resembling normality should have returned to the market. In the meantime, on about 13 times this year's earnings the shares are not cheap. Neither is there any case for aggressive selling.

Germany

Investors either love Germany's consensual style of financial decision-making because it makes for stability, or hate it because the powers that be take so long to make up their minds. Yesterday's master-plan for tackling the deepening depression in the old east Germany from Mr Möllemann, the new economics minister in Bonn, was a case in point.

The combined Germany's public sector borrowing requirement [illegible] probably heading way north of DM160bn; the IG Metall workers are after 10 per cent extra wages; the Bundesbank is still grumbling about over-rapid [illegible] growth; and yet [illegible] in the East could [illegible] this year. In the face of all that, which requires some combination of public spending in the East and fiscal tightening in the West, Mr Möllemann has come up with a rather inoffensive package of pump-priming, public works and privatisation. From the financial markets' viewpoint, it is of course gratifying that Mr Möllemann concedes once again that, yes, tax increases are now unavoidable in the former west Germany. But an oral commitment like that is not worth a thing until the new taxes are actually signed and delivered. That could still be months away.

GERMAN UNITY

Bonn reviews aid for eastern states

By David [illegible] in Bonn and Andrew Fisher in Frankfurt

MOUNTING evidence of the [illegible] collapse in east Germany [illegible] prompted the Bonn government [illegible] its aid programme for the eastern states.

Mr Jürgen Möllemann, the new [illegible] minister, yesterday proposed a 10-point plan for east Germany which [illegible] at [illegible] an extra DM10bn ($6.7bn) in [illegible] current [illegible], to be paid [illegible] by cutting west German subsidies.

"The situation is clearly worse than expected. Now is the time to act," said Mr Möllemann.

The Bonn Finance Ministry [illegible] announced [illegible] the east German [illegible] and local authorities, [illegible] threatened with bankruptcy, would receive a further DM5bn in emergency aid.

That brings to DM14.6bn the money they have received this [illegible] from the [illegible] Unity Fund of DM115bn. It had been envisaged [illegible] only DM35bn would be paid out for the year as a [illegible]. [illegible] DM100bn of the DM160bn public [illegible] deficit this year has been [illegible] for [illegible] Germany but officials [illegible] fear that even more money may have to be pumped eastwards.

Under discussion [illegible] forms of indirect taxation, a special labour tax, and new subsidy reductions, [illegible] cover the [illegible].

In addition the original [illegible] German [illegible] will [illegible] to pay much more to the six new [illegible] German [illegible] (including Berlin). The leaders [illegible] all the German [illegible] are meeting with Chancellor Helmut Kohl on February 28 to hammer out a new burden-sharing agreement.

[illegible] Möllemann's plans, which have not yet been approved by the Finance Ministry, include a further DM8bn for infrastructure projects and [illegible] retraining, plus a one-year [illegible] the [illegible] per cent investment grant for [illegible] in [illegible] Germany.

Today [illegible] travels to the Soviet Union to explain the [illegible] terms being provided by the Hermes export credit agency for [illegible] German business in the hope that [illegible]thing can be salvaged from the dwindling trade [illegible] the former east bloc.

With media [illegible] in the Gulf war fading, there has [illegible] a renewed [illegible] of anxiety in Germany [illegible] the integration of the east, with particular emphasis on the plight [illegible] local administrations.

The first half of 1991 [illegible] always expected to be the most difficult transition period but many economic institutes have been making pessimistic [illegible] in their forecasts.

The closure [illegible] companies, hitherto supported by [illegible] from the Treuhand agency, is beginning in earnest. Interflug, the [illegible] airline, is closing with the [illegible] of [illegible] jobs.

Only [illegible] of these are being taken on by Lufthansa. Plenty of new investment [illegible] planned in the car industry [illegible] will [illegible] quickly compensate for the 6,000 jobs that are to go at the Wartburg plant in Eisenach.

The shipbuilding industry is particularly vulnerable because of its dependence on Soviet orders. About [illegible] people are expected to [illegible] their [illegible] in the northern state of Mecklenburg.

The [illegible] employers' organisation predicts further job losses of 540,000 in the [illegible] and heavy machinery industries, [illegible] in the [illegible] industry, [illegible] in textiles, 150,000 in coal [illegible] and power [illegible].

On top of that [illegible] jobs are expected to go in agriculture and 700,000 in the public services.

● Siemens, the electronics group, has agreed with the [illegible] to take over the [illegible] Regler-Werke in Tetlow, east Germany, which should secure [illegible] 1,200 jobs.

Warsaw Pact to be dissolved by April

By John Lloyd in Moscow

THE Warsaw Pact, the most powerful remaining institution [illegible] international communist system, will be dissolved by April at the express wish of President Mikhail Gorbachev.

[illegible] of the military arm of the [illegible] Pact, which the countries [illegible] Europe [illegible] been demanding by July, [illegible] of speculation about the pact's [illegible] role.

It signals the [illegible] of [illegible] of the strongest [illegible] by [illegible] control [illegible] erstwhile [illegible] in [illegible] Europe.

Mr Gorbachev's initiative, taken despite the growing assertiveness of the Soviet military, will [illegible] – and the Pact's [illegible] probably signed – when foreign and [illegible] ministers [illegible] Europe [illegible] Union [illegible] in Budapest in the [illegible] weeks, according to a senior Foreign Ministry official.

Separately, however, Mr Vitaly Ignatenko, the spokesman for the Foreign Ministry, [illegible] Union would pursue bilateral military co-operation with its former partners where possible. There would [illegible] no collective military or political body [illegible] kind [illegible] replace the pact, he said.

In addition, Comecon, [illegible] trading organisation [illegible] second pillar [illegible] had [illegible] the [illegible] of [illegible] Europe, will be [illegible] be formally ended. It will be replaced by a consultative committee.

The Foreign Ministry [illegible] European [illegible] leave the pact [illegible] "very [illegible] pushing at an open door". He added [illegible] been considering dissolving the military arm [illegible] pact [illegible] some time.

The [illegible] added that he did not expect a sub-regional [illegible] grouping comprising Czechoslovakia, Hungary and Poland, to [illegible]. [illegible] three countries have scheduled a meeting for [illegible] in Hungary to discuss the region's future security. Nor did the [illegible] expect [illegible] members, to join Nato.

"We do not think Nato will accept them, in the first place," he said. "To widen the [illegible]graphical area (of Nato) would hardly make sense now. At the same time, however, the structures emerging in the Conference on Security and Co-operation in Europe (CSCE) are not yet in place. They have not yet been tried."

[illegible] troops continue [illegible] march home, Page 6

Major attempts to quell interest rate fears

By Ralph Atkins and Alison Smith in London

MR JOHN MAJOR, the British prime minister, yesterday tried to quell mounting [illegible] about prolonged high [illegible] by predicting a continued fall in inflation and dismissing sharp rises in factory gate prices as "suspect".

With [illegible] of all parties pressing for a cut in the [illegible] borrowing, Mr Major said that evidence that the government's economic policies were working "will [illegible] increasingly apparent".

[illegible] in [illegible] rates from the ruling Conservative party is expected to surface again during a House of Commons [illegible] today. Rumblings of disquiet among backbenchers has intensified in the past few days and dominated a meeting with Treasury ministers [illegible].

Many [illegible] on the right wing of the party [illegible] their [illegible] about the constraints of entering the exchange rate mechanism of the European Monetary System are being [illegible]. [illegible] fear the electoral consequences of the deepening recession.

For the Labour party opposition, Mr John Smith, shadow chancellor, will press for an immediate cut in interest rates, arguing that financial markets have already discounted a fall. He will continue the party's [illegible] to [illegible] the blame firmly on the government, rather than the [illegible] of the Gulf war.

[illegible] Norman Lamont, the chancellor of the exchequer, will open the [illegible] with a explanation of the government's high [illegible] strategy and the rigours [illegible]. He will [illegible] no [illegible] for the [illegible], leaving that until the budget on March 19, but will [illegible] the change in circumstances [illegible] Treasury [illegible] in November.

He will [illegible] to calm Tory jitters [illegible] the economy, possibly with [illegible] hints about [illegible] the horizon or the likely shape of the budget.

In the Commons yesterday, Mr Major sought to shrug off Labour criticism. He [illegible] "prospects that will continue to exist [illegible] country as we increasingly drive inflation downwards".

[illegible] showing the [illegible] monthly increase in factory gate prices for 10 years probably [illegible] the delayed effect of higher oil prices in the autumn.

The Treasury will be bracing itself for further gloomy economic news [illegible] this week [illegible] unemployment figures are widely forecast to rise [illegible] the politically sensitive [illegible] level. Ministers will [illegible] cheer, however, [illegible] Friday's [illegible] figures [illegible] the [illegible] drop that is expected.

Labour's attack today will also focus on the government's spending commitments. After Mr Major's pledge to put education top of his agenda for the [illegible], they will be complaining about priority given to the Department of Education and to training [illegible].

Parliamentary debate, Page 9

BA and Sabena revive efforts to form partnership

Continued from Page 1

His remarks coincided with an intensification in the transatlantic fares war touched off by BA this week when it cut some of its New York-London fares by a third. Other international [illegible] have [illegible] matched and, in [illegible], extended the discounts on the transatlantic [illegible].

Mr Godfroid indicated that Sabena was [illegible] talking to other airlines over a possible partnership and confirmed he was still in negotiations with American Airlines.

Both BA and Sabena remain [illegible] in developing [illegible] airport into a [illegible] European hub. But any new agreement is likely to involve BA forging a [illegible] partnership with the [illegible] parent company [illegible] a subsidiary as was the case with the aborted Sabena World Airways venture.

The proposed BA-Sabena link has, from the start, worried the European Commission on competition grounds. Mr Godfroid said yesterday that the Commission had already been in touch with him over his plans.

He said he had "laughed" when [illegible] letter, adding: "I am trying to [illegible] one Belgian airline is still flying by the end of the century."

Mr Attali, the Air France [illegible], said yesterday European airlines were calling on the EC to speed up procedures to enable European airlines to [illegible] capacity, in order that they might adapt to the sharp fall in traffic and [illegible].

"Airlines have been flying in Europe with two seats out of three empty", he said.

He added that European carriers were also seeking [illegible] to help airlines to increase fares as a way of offsetting rising costs.

He also urged the Commission not to introduce any new EC regulations [illegible] put further pressure on European airlines' [illegible].

European airlines will have shown a heavy cumulative loss on their operations in 1990 for the first time since 1981, he [illegible]. The situation had dramatically [illegible] following the outbreak of war last month.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	C	7	45
Algiers	C	11	52
Amsterdam	F	1	34
Athens	[illegible]	15	59
Bahrain	–	–	–
Bangkok	F	[illegible]	91
Barcelona	F	6	[illegible]
[illegible]	–	–	–
[illegible]	C	5	41
Belgrade	C	0	32
Berlin	S	-3	27
Biarritz	S	5	41
Bombay	S	27	81
Bordeaux	F	1	34
Boulogne	F	2	36
Brussels	[illegible]	-1	30
Budapest	Sn	0	32
Buenos Aires	F	27	81
Cairo	S	21	70
Cape Town	S	25	77
Caracas	F	[illegible]	[illegible]
Casablanca	R	12	54
Chicago	–	–	–
Cologne	Sn	-4	25
Copenhagen	Sn	-2	28
Corfu	[illegible]	15	59
[illegible]	–	–	–
[illegible]	C	[illegible]	41
Dubrovnik	R	10	50
Edinburgh	Fg	0	32
Faro	R	[illegible]	[illegible]
Florence	F	5	41
Frankfurt	F	-1	30
Geneva	C	-1	30
Gibraltar	R	11	52
Glasgow	C	[illegible]	[illegible]
Helsinki	Sn	[illegible]	[illegible]
Hong Kong	[illegible]	21	70
Innsbruck	F	-2	28
Inverness	C	2	36
Islamabad	C	16	61
Istanbul	S	12	54
Jakarta	R	31	88
Jersey	F	6	43
Johannesburg	[illegible]	[illegible]	77
Lima	F	26	79
Lisbon	R	[illegible]	[illegible]
London	C	2	36
Los Angeles	F	14	57
Luxembourg	F	-3	27
Madeira	F	18	64
Madrid	F	3	37
Majorca	S	11	52
Malaga	R	11	52
Malta	[illegible]	15	59
Manchester	Sn	1	34
Manila	C	[illegible]	[illegible]
Melbourne	[illegible]	[illegible]	[illegible]
Mexico City	–	–	–
Miami	S	12	54
Milan	Fg	[illegible]	27
Montreal	F	-18	0
Moscow	C	[illegible]	18
Munich	F	-1	30
Nairobi	S	[illegible]	[illegible]
Naples	F	11	[illegible]
Nassau	C	25	77
[illegible]	S	[illegible]	[illegible]
New York	S	-7	19
Nice	S	[illegible]	[illegible]
Nicosia	S	17	63
Oporto	C	8	46
Oslo	F	-5	[illegible]
Paris	C	2	36
Peking	S	8	46
Prague	S	-2	28
Reykjavik	C	2	36
Rhodes	F	17	63
Rio de Janeiro	C	35	95
Rome	C	10	50
Salzburg	S	1	34
San Francisco	F	9	48
Seoul	[illegible]	[illegible]	[illegible]
Singapore	F	[illegible]	[illegible]
Stockholm	Sn	[illegible]	[illegible]
Strasbourg	S	0	32
Sydney	S	[illegible]	[illegible]
Taipei	C	[illegible]	[illegible]
Tangier	C	12	54
Tel Aviv	–	–	–
Tenerife	F	19	66
Tokyo	S	11	52
[illegible]	Sn	-10	14
[illegible]	[illegible]	12	[illegible]
Valencia	S	9	48
Venice	C	5	41
Vienna	C	-3	27
Warsaw	F	-2	28
Washington	C	-5	23
Zurich	Sn	-3	27

Temperatures at midday yesterday C–Cloudy [illegible] Fg–Fog H–Hail R–Rain S–Sunny [illegible] T–Thunder

FINANCIAL TIMES
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INSIDE

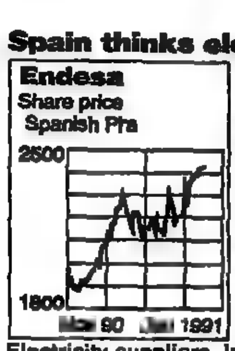
Suez poised to raise La Générale stake

The [illegible] Compagnie de Suez, the French *conglomerate*, is expected today [illegible] purchase from [illegible] de Benedetti's Cerus [illegible] a further [illegible] stake [illegible] Gén[illegible] Belgique. Suez won [illegible] the Belgian industrial holding company [illegible] ago [illegible] a *brulsing battle with Mr* [illegible] will [illegible] announce plans [illegible] absorb Compagnie La Hénin, [illegible] troubled property and industrial holding company [illegible] it owns 44 per cent, by offering its own [illegible] to [illegible] *remaining shareholders.* Page 16

Auditors may qualify Saatchi accounts

Saatchi & Saatchi, [illegible] troubled in[illegible] advertising group [illegible] Robert Louis-Dreyfus (*left*), [illegible] by [illegible] KPMG [illegible] Marwick McLintock that [illegible] forthcoming [illegible] will [illegible] *qualified* [illegible] pletes [illegible] proposed refinancing programme. Saatchi, burdened by heavy [illegible] and liabilities, [illegible] in [illegible] final stages [illegible] *negotiating new proposals for refinancing with* [illegible] investors. [illegible] 22

Spain thinks electric



Spain's privately-owned [illegible] bucking the trend on [illegible] country's [illegible] collapsing by nearly [illegible] third after Iraq's invasion [illegible] have [illegible] on [illegible] utili[illegible] many [illegible] ommending that client portfolios go well [illegible] weight [illegible] the sector. Electricity suppliers, including [illegible] *group, Endesa,* [illegible] *outperformed* [illegible] general [illegible] by [illegible] per [illegible] in [illegible] months. Peter Bruce reports. Page [illegible]

Unhappy new year

It has been an unhappy [illegible] to [illegible] for [illegible] National [illegible] Securities [illegible]. The highly [illegible] sign Portal, [illegible] trading system [illegible] mar[illegible] privately-placed [illegible] postpone [illegible] long-awaited *opening of* [illegible] London trading *facility, Nasdaq* [illegible] Harverson examines [illegible] implications [illegible] the [illegible]. Page 21

Hunterprint incurs £13.6m loss

Hunterprint Group, the printing [illegible] res[illegible] late [illegible] by [illegible] new management team and a £13.6m ($27.2m) [illegible], made a pre-tax [illegible] in the 12 [illegible] to Sep[illegible]. [illegible] followed a [illegible] of [illegible] in [illegible] *previous* [illegible] an interim dividend [illegible] 3p was paid. [illegible] payment [illegible] by the company, [illegible] now [illegible] by [illegible] MacGregor (*above*), [illegible] and [illegible] National [illegible]. [illegible]

Market Statistics

Base lending rates	32	London traded options	21
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Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Lahmeyer	[illegible]	+	[illegible]
Falls			
Beiersdorf	700	−	[illegible]
Commerzbank	[illegible]	−	[illegible]
[illegible]	247	−	4.5
Kloeckner Werke	131	−	5
Mercedes Hld	416.5	−	9.5
NEW YORK ($)			
Rises			
US Healthcare	[illegible]⅞	+	[illegible]
Utd Healthcare	31⅞	+	[illegible]
Falls			
Boeing	42¼	−	2¼
Chrysler	11⅛	−	⅛
Ford	[illegible]½	−	[illegible]
Goodyear	[illegible]¼	−	⅛
PARIS (FFr)			
Rises			
Foncière Lyonn	[illegible]	+	21
Pinault	329	+	[illegible]
Falls			
Accor	663	−	16
Canal	850	−	[illegible]
Sanofi	770	−	[illegible]
[illegible]	230	−	[illegible]
TOKYO (Yen)			
Rises			
Nippon Kakoh	1300	+	200
Toho Gas	516	+	[illegible]
[illegible]			
[illegible]	[illegible]	+	200
Falls			
Kobe Kiito	520	−	70
Shinyei	780	−	120
Towa Enpo	720	−	61

New York prices at 12.30pm

LONDON (Pence)			
Rises			
Anglia Homes	[illegible]	+	5
Barry Wehmiller	198	+	11
Countryside Prp	100	+	7
FII	[illegible]	+	10
Glaxo	[illegible]	+	10
TR Tech. Inv.	34	+	[illegible]
Falls			
Amstrad	[illegible]	−	6
Budgens	[illegible]	−	6
Courtney Pope	[illegible]	−	8
Dickie (J.)	14	−	6
[illegible]	[illegible]	−	12
GUS "A"	1180	−	25
Marks & Spencer	237	−	8
Midland Bank	185	−	8
[illegible]	25½	−	2
Resort Hotels	65	−	4
Tallos	7[illegible]	−	[illegible]

Latest operating results show depth of recession in European airline industry

Attali urges EC support for carriers

By Paul Betts, Aerospace Correspondent, London

MR BERNARD ATTALI, [illegible] of Air [illegible] *and current* president of the [illegible] of European Airlines (AEA), urged the European [illegible] yesterday to take swift action [illegible] help European airlines [illegible] current international [illegible] transport [illegible].

[illegible] said *yesterday* [illegible] AEA, which groups together [illegible] European airlines, was preparing a white [illegible] on European [illegible] transport [illegible] what he [illegible] dialogue" [illegible] and the Community [illegible] air transport [illegible] plans in the current industry environment.

"Air transport [illegible] facing [illegible] in 40 years," [illegible] France [illegible] said. "Never [illegible] so low, costs [illegible] performance [illegible] compromised."

After stagnating during [illegible] early January, European [illegible] passenger [illegible] 10 per [illegible] third [illegible] of January [illegible] by 25 per cent in the fourth week. "Airlines have [illegible] flying in Europe [illegible] seats [illegible] empty," Mr Attali [illegible].

[illegible] also [illegible] first [illegible] since [illegible]. European [illegible] heavy cumulative [illegible] their operations for [illegible]. The [illegible] had worsened dramatically during [illegible].

The AEA [illegible] already [illegible] preliminary meeting [illegible] EC to secure backing from Brussels to ease the airlines current dire problems. Mr Attali said European airlines were seeking essentially three forms of intervention on the part of the EC to support *European carriers:*

- Faster procedures to enable airlines to reduce capacity to adapt it to the sharp fall in traffic and [illegible].
- [illegible] to help airlines increase fares to offset rising [illegible].
- [illegible] new EC regulations [illegible] could put further [illegible] on European airline costs.

"It is [illegible] for [illegible] to adapt capacity to the new *demand situation in co-operation* with other competing carriers," Mr Attali said. But he stressed these moves would not tie airlines and could be scrapped at any time so that they would not constitute any breach in EC competition rules.

On routes where traffic has collapsed, Mr Attali is proposing joint operations between carriers "to maintain a minimum of service in the interest of consumers".

These, he said, would enable airlines to share the financial risks of operating services on low density routes during the current crisis period. "This would avoid certain routes being scrapped altogether," he argued.

The AEA has asked the Commission to speed approval for such joint arrangements. Although Sir Leon Brittan, the EC competition commissioner, suggested [illegible] Commission would be prepared to approve joint [illegible] for a period [illegible] up [illegible] three months, Mr Attali [illegible] this [illegible] *not sufficient.*

"We are seeking approval for the length of the summer season," he said.

However, he [illegible] Sir [illegible] position [illegible] to [illegible] their take-off and landing slots at airports which they had decided to drop temporarily during the crisis because of the fall in travel demand.

On fares, Mr Attali said airlines wanted to be able to increase fares quickly to cover their higher costs and lower passenger revenues.

BA warns of big losses in fourth quarter

By Paul Betts, Aerospace Correspondent, in London

BRITISH Airways yesterday reported a [illegible] in [illegible] third-quarter pre-tax profi[illegible] a substantial oper[illegible] for the final [illegible] year ending March.

The UK carrier, which announced on Monday a sweeping restructuring plan involving 6,600 job reductions, said third-quarter pre-tax profits had dropped to £20m ($39.8m) compared with £71m in the same period last year.

For the first nine months of its financial year, BA's pre-tax profits rose 3 per cent to £340m compared with the year before.

Although BA is expected to show a sizeable loss in its final quarter, the airline has performed better than most. Other leading international carriers have been hit by bigger losses because of the world recession and the effect of the Gulf war on airline traffic.

BA is suffering from sharply lower passenger load factors. The airline said yesterday that traffic had declined 20 per cent [illegible] the start [illegible] Gulf war.

It also announced yesterday that it was deferring the introduction of [illegible] Boeing [illegible] aircraft this year to reduce costs. BA has also cut aircraft capacity, capital expenditure, and advertising and promotion, among other efforts to clamp down on costs.

"It is clear that there will be a substantial operating loss in the fourth quarter, but vigorous action has been taken to mitigate the effects of the downturn in *traffic," Lord King, BA's chair*man, said yesterday.

But Lord King said he was worried by the regulatory environment in the airline industry at a time when BA was trying to survive a recession.

"Too [illegible] people in [illegible] country [illegible] competition as extending no further than the white cliffs of Dover," he said. "They ignore the carriers on the continent, cosseted and supported by their government owners, and the mega-carriers [in the US] operating in a completely protected home market, with fleets of 500 and more aircraft which they are intent on sending in waves across the Atlantic."

BA this week cut some transatlantic fares by a third, initiating a price war on US-to-Europe air services.

Turnover during the first nine months rose 7.2 per cent to £3.99bn, while the group operating surplus fell 24.1 per cent to £281m. In the third quarter, BA broke even at the operating level compared with a £78m surplus last year.

Profit after tax rose 12.6 per cent to £241m in the first nine months and earnings per share rose 12.5 per cent to 33.4p.

BA said traffic had declined by 20 per cent since the start of the Gulf war

Sabena unveils flotation plan

PIERRE Godfroid, the new chairman of Sabena, yesterday announced increased losses of BFr6.6bn ([illegible]) for last year, and said the [illegible] state airline is to be refloated. He also [illegible] that the group was still negotiating a strategic link with British Airways and was continuing talks with American Airlines.

He forecast losses for the current 12 months would total BFr4.8bn, with a modest BFr600m profit next year, rising to BFr2.8bn in 1995.

Mr Godfroid expected that an alliance with a foreign partner to develop Brussels airport as a regional hub serving 75 cities would add BFr2bn a year to earnings.

Also yesterday, Fokker, the Dutch aeroplane manufacturer, announced that it would cut [illegible] *jobs and delay* [illegible] resumption of dividend payments. It said this reflected problems caused by the weakness of the dollar.

Fokker said it stood by previous predictions that 1990 net profit would total about Fl 84m ($51.2m), double the 1989 figure. But it added that, in contrast to earlier forecasts, the payment of a dividend on 1990 results now seemed unlikely. Details, Page 16

Goodyear suffers $38.3m deficit

By Alan Friedman in New York

GOODYEAR, the troubled US tyre company, suffered a $38.3m loss for 1990, a sharp slump into the red, compared with the company's 1989 net profit of $207m.

The Akron, Ohio-based company – the last surviving large US-owned tyre maker – said last week it would slash its quarterly dividend from 45 cents to 10 cents a share.

Last autumn the company suffered a record quarterly loss when it reported a $61.4m third-quarter deficit.

In the fourth quarter of 1990 a slim $11.6m net profit was recorded on $2.8bn of sales, down from $14.7m a year before on $2.7bn of sales.

Goodyear's 1990 sales of $11.3bn were 3.7 per cent higher and this was due mainly to currency translation gains.

Wall Street has been worried about Goodyear's worsening performance for the past year. The concerns centre on losses, debts and financial problems stemming from the company's disastrous $1.6bn investment in the All American Pipeline, an oil pipeline from California to Texas that is operating at only one third capacity and has had to be written down.

The steady sell-off in Goodyear stock in recent months has brought the company's share price down to little more than a third of its value in late 1989. The share price yesterday was $19¼, down $¼.

Goodyear said its 1990 results included depreciation plus operating and debt-servicing expenses related to the ill-fated pipeline project, which analysts consider to be an unproductive and costly diversification for the company that continues to cut into cash flow.

The company's pipeline division was hit by a $52.9m loss in 1990.

The company said continued [illegible] in the [illegible] economy, reduced auto production and only modest increases in replacement tyre demand "choked profitability" for the tyre industry.

Aside from the burden of the loss-making pipeline system and the worsening state of the car sector, Goodyear also said its 1990 deficit reflected $73.1m of after-tax charges, including $50.4m for restructuring and plant consolidation, $9.2m for the closing of a Massachusetts roofing products plant and $13.5m for environmental clean-up costs.

Goodyear's debt burden at the end of 1990 totalled $3.3bn, com[illegible] net equity of $2.1bn in [illegible].

Manufacturers agree new delivery dates for aircraft

By Paul [illegible], Aerospace Correspondent, in London

COMMERCIAL aircraft manufacturers are renegotiating deliveries to carriers in an effort to minimise the effects of the industry slowdown.

Several leading airlines have already announced plans to delay taking delivery of new aircraft this year because of the effects of recession and the Gulf war.

British Airways announced yesterday it was deferring delivery of five Boeing 767 airliners. [illegible], the Australian international carrier, [illegible] would re[illegible] new [illegible] deliveries [illegible] the collapse in air travel.

Air France has also announced similar plans and other airlines are expected to follow suit.

But Boeing, the world's largest manufacturer of commercial jets, said yesterday that other carriers were asking it to accelerate new [illegible] their [illegible] recovery in [illegible] market.

Richard Albrecht, a [illegible] executive vice-president, indi[illegible] the [illegible] was [illegible] by [illegible] situation but not [illegible]. It plans to [illegible] production [illegible] aircraft [illegible] by [illegible].

[illegible] manufacturer is still forecasting [illegible] for about [illegible] new commercial aircraft during the [illegible] 16 years. [illegible] said that [illegible] long-term world air [illegible] growth [illegible] fall from [illegible] per cent to 3.5 per cent, demand [illegible] *would shrink* [illegible] (in [illegible]).

However, [illegible] expected [illegible] will still [illegible] replace ageing aircraft. [illegible] replacement [illegible] of [illegible] aircraft during [illegible] 16-year period [illegible].

The European Airbus [illegible]tium has also been discussing the *delay of some deliveries.* [illegible] expects new [illegible] sharply lower this [illegible] 170 compared with [illegible].

Fokker, the [illegible] aerospace [illegible] *which manufactures com*muter and regional aircraft, said yesterday it had not suffered any postponements or cancellations of orders since the outbreak of the Gulf war. But the company said many airlines were delaying decisions on fleet modernisation because of the crisis.

BA, for example, has postponed indefinitely the replacement of its ageing fleet of Lockheed L1011 Tristars. However, other airlines are still planning big orders. Cathay Pacific, the Hong Kong-based airline, said this week it planned to decide by the end of May on a $2.25bn order.

Elkem falls NKr650m into red

By Karen Fossli in [illegible]

ELKEM, [illegible] Norwegian light metals producer, yesterday announced a pre-tax [illegible] of [illegible] for [illegible] year-end allocations, compared with [illegible] NKr1.05bn profit in 1989. [illegible] also [illegible] plans [illegible] dividend, [illegible] plants and *cut 800 jobs.*

The company wrote [illegible] NKr429m in respect of a [illegible]uring of production capacity. The reorganisation involves the clo[illegible] plant in Norway, which produces [illegible] and [illegible] Beauharnois *manganese plant* in Quebec, which produces 100,000 tonnes a year.

The [illegible] – 500 in Norway and 300 abroad – will [illegible] *to* [illegible] and [illegible] for [illegible] reductions [illegible] NKr100m this [illegible] and [illegible] further NKr300m in [illegible].

[illegible] Fredrik Vogt Lorentzen, Elkem's president, said competition from eastern Europe and China has eroded markets. The *Gulf war and an economic slow*down in leading industrial countries had also cut demand.

Mr Lorentzen refused to make a detailed forecast for 1991 but said Elkem was looking forward to an upturn in the world market at the end of the year.

Group turnover in 1990 declined to NKr8.01bn from NKr10.18bn in 1989.

Three of Elkem's four divisions plunged into loss. Ferro-alloys *fell from a profit of NKr704m in* 1989 to a loss of NKr113m in 1990.

Revenue in 1990 from ferrosilicon, a ferro-alloy product, fell 48 per cent. Production of ferrosilicon is 30 per cent below a full capacity of about 460,000 tonnes.

The aluminium division dropped from a NKr274m profit in 1989 to a NKr151m loss last year. Elkem said that the market price for aluminium last year *was lower than in 1989,* although a short upturn had been experienced in the third quarter.

Elkem said its materials division also went into the red. It fell from a NKr70m profit in 1989 to a NKr63m loss.

[illegible] of the brightest [illegible] Elkem's carbon [illegible] mineral activities. [illegible] market prices and improved profitability from related areas helped this division show a [illegible] increase in profits [illegible] NKr1m in 1989 [illegible] NKr106m last year.

The company said it planned to review its market and administration costs.

Elkem expects to pay NKr70m in taxes for 1990. The company said that the ordinary net result *per share will be a loss of NKr50.*

هكذا من الأصل

Reflotation planned for Sabena

By **David Gardner** in Brussels

THE BELGIAN government is *to refloat Sabena,* [illegible] *country's* flag airline, as part of a restructuring plan, expected to cost at least BFr32bn ($1.07bn), which [illegible] a return to profit by the [illegible] of next [illegible], and 2,204 redundancies.

But Mr Pierre Godfroid, [illegible] new chairman, [illegible] firmed the airline was still negotiating a strategic link with British Airways, "which would already have had a positive outcome had it not been for the Gulf war". He [illegible] confirmed he was still talking to American Airlines.

The entry of any international partner would take place after Sabena's balance sheet has been cleaned up by [illegible] Belgian government, which owns 52 per cent of the airline, and before a partial flotation of the company planned for [illegible].

The government is to write off BFr16.2bn in debts accrued with it by Sabena since 1949, and will inject a further BFr8bn in new capital. Agreement [illegible] been reached in principle for predominantly state-owned financial [illegible] to put in another BFr8bn. This will be underwritten by the government, carry an automatic 8 per cent dividend for four years and be reclaimable in 1996.

With [illegible] renewal [illegible] existing preferential shares, held largely by the same institutions and worth BFr4bn, Sabena's capital [illegible] – virtually wiped out by two years of [illegible] – will in the short term rise to BFr20bn.

Later, [illegible] options for employees would provide further funds and incentives, and a foreign partner would be able to buy up to 40 per [illegible] Sabena – at around BFr8bn if the company's capital worth is boosted as the plan prescribes.

Then, during 1994, [illegible] and 25 per cent of the airline would be floated on the stock market, Mr Godfroid said.

He also announced [illegible] last [illegible] of BFr6.6bn – an operating [illegible] of BFr7.1bn before [illegible] of aircraft – against a revised [illegible] for [illegible].

This [illegible] he [illegible] of BFr4.8bn, [illegible] a modest BFr600m profit next year, rising [illegible] BFr2.8bn in [illegible]. [illegible] expected that an [illegible] with a foreign partner [illegible] develop Brussels airport as a regional hub serving 75 cities would [illegible] BFr2bn a year to earnings.

Savings [illegible] would [illegible] from the [illegible] largely voluntary redundancies, which Mr Godfroid [illegible] represented 18 per [illegible] of a workforce.

The cancellation of [illegible] atlantic and Far Eastern routes will save a further BFr2.3bn, with a further BFr1bn [illegible] from management and marketing [illegible].

Mr [illegible] so-called "Phoenix Programme" envisaged no expansion, with renewal of the fleet financed from cash flow. It foresaw a 2 per [illegible] in volume by 1993 as a result of European Commission air transport liberalisation.

[illegible] may have more [illegible] on Sabena than the [illegible] gramme envisages, however, and has already [illegible] Mr Godfroid for information, particularly on the possible link with British Airways.

The [illegible] had already expressed competition concerns over the Sabena World Airways joint [illegible] with [illegible] and KLM, which collapsed on [illegible] Year's [illegible].

Commission officials say they [illegible] exactly the same reservations [illegible] BA [illegible] monopolising the lucrative Heathrow-Brussels/Zaventem route.

Mr Godfroid said yesterday he had "laughed" when he received the latest Commission letter, adding: "I am trying to ensure that at least one Belgian airline is still flying by the end of [illegible] century, [illegible] their attitude is not helping . . . the question is whether we want an industry that can compete with the international giants or none at all."

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Fokker to axe jobs and delay dividend

By **Ronald van [illegible] Krol** in Amsterdam

FOKKER, the Dutch [illegible] maker, is to cut 1,000 jobs and delay the resumption of dividend payments, reflecting problems caused by the continued [illegible] of the dollar.

The [illegible] yesterday stood by predictions that 1990 net profit will [illegible] around Fl 84m ($51.2m), double the 1989 figure. But it added that, in contrast to earlier forecasts, [illegible] payment of a dividend [illegible] now [illegible] unlikely.

Fokker, which has attracted Fl 10bn in orders for its new generation of aircraft the Fokker 50 and [illegible] 100, said it was unable to make a profit forecast for 1991 because of the general climate of uncertainty, including the Gulf [illegible], [illegible] depressed air travel [illegible].

Most of the jobs losses will be through [illegible] wastage, but up [illegible] compulsory [illegible] may be needed, largely [illegible] support jobs. Fokker, [illegible] employs nearly 13,000 people, [illegible] begin [illegible] with Dutch [illegible] last night on drawing up a [illegible] plan for [illegible].

The job losses are part of a drive to cut direct costs by Fl 200m.

The company described the measures as drastic, preventive steps designed to cushion Fokker from continued weakness of the dollar, the currency in which [illegible] tional aircraft sales are denominated.

Although Fokker hedged previous con[illegible] against the dollar's decline, it will [illegible] becoming vulnerable to the dollar remaining [illegible] against the guilder [illegible] 1991.

[illegible] yet suffered any cancellation or postponement of orders since the Gulf war broke out. But it noted [illegible] were delaying decisions [illegible] modernisation because of the [illegible] travel.

The company last paid a dividend in 1987, shortly before it ran into temporary [illegible] while launching its two new [illegible]. It was later rescued by the government, which [illegible] owns 32 per cent of the company's shares.

Reuters cautious over trading outlook

By **Andrew Bolger**

REUTERS Holdings, [illegible] information and [illegible] group, yesterday sounded a cautious note about [illegible] trading outlook, only two months [illegible] saying that it was "reasonably [illegible]" [illegible] it could [illegible] double-digit profits growth next year.

Mr Glen Renfrew, managing director, said: "The outlook *has become more uncertain* [illegible] reported [illegible] *months ago, against a background of further* [illegible] *from the financial sector.*

"We [illegible] heavy turn-of-year cancellations as clients trimmed their [illegible]. [illegible] weeks, net new orders have, as expected, moved up again, but they remain well below the average for last year."

Reuters was reporting a 13.1 per cent increase in pre-tax profits to £320.1m ($636.9m) in the year to December 31 – in line with the forecast it issued last year, shortly after announcing 300 redundancies and the postponement of the second phase of Dealing 2000, its automated trading system *for foreign exchange.*

Turnover rose by 15 per cent to £1.37bn and earnings per share were 13.5 per cent ahead at 49.5p. A final [illegible] of 10.6 makes a total for the year of 15p, an [illegible] of 15.4 [illegible].

The profits figure was flattered by a 56.4 per cent rise in interest income to £30.4m. The group's net cash balance rose to a record £217.2m.

Reuters said its cash position in the two previous years had been [illegible] by one-off tax payments [illegible] with the [illegible] A shares.

[illegible] 3p lower at [illegible] July's peak of 1314p. The shares fell sharply following reports of delays to Dealing 2000-2 [illegible] Gulf crisis.

Reuters said [illegible] continuing of Dealing [illegible] and Globex, its [illegible] system to trade financial futures, but would not [illegible] the systems would [illegible] ready.

Mr Peter Job, who succeeds Mr Renfrew as managing director next month, [illegible] "We will only give further news when we are [illegible] happy about a launch date." Mr Richard Giordano, chairman and chief executive of the BOC, the [illegible] been appointed [illegible] the [illegible] directorship vacated [illegible] Mr Rupert Murdoch, chairman [illegible] Corporation, [illegible] resigned in [illegible].

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Amstrad rises to £40m, but warns of difficulties ahead

By **Michael Skapinker**

AMSTRAD, [illegible] UK electronics group, yesterday announced a [illegible] per [illegible] interim profits [illegible] to £40.1m ($79.7m).

However, it warned that the [illegible] and the Gulf war would make trading conditions *difficult in the second half.*

The profits increase for the [illegible] months to [illegible] end of [illegible] achieved on [illegible] *down* [illegible] to £326.6m.

Mr Alan Sugar, the chairman, said shareholders should not expect *significant* profit growth for the full year.

The recession in the UK, Amstrad's largest market, hit *December and January sales.*

Mr [illegible] hoped television satellite sales would be [illegible] by the merger of Sky [illegible] and British [illegible] Broadcasting. But the merged organisation failed to publicise the fact that there was now a single satellite broadcasting system in the UK rather than two incompatible ones, Mr Sugar said.

"One sympathises with them [illegible] they had [illegible] out the old BSB [illegible], but they haven't focused enough attention on promoting [illegible] concept," Mr Sugar said.

Sales in France were slightly down in the half-year and [illegible] very disappointing in January. "That's 100 per [illegible] to] the Gulf war. French people are paranoid and nervous about [illegible] Gulf," Mr Sugar added.

By [illegible] of satellite [illegible] equipment in Germany were good.

Mr Sugar said that Amstrad now held about 60 per cent of [illegible] market. Sales of computers and video cassette recorders had also grown. Germany was [illegible] Amstrad's second largest [illegible] the UK, [illegible] France, Spain and Italy.

Demand for Amstrad's twin slot VCR had exceeded supply, proving, Mr Sugar said, that innovative ideas sold even during a recession. The company plans to increase output of this product.

During this calendar year, the company plans to launch 10 new products, Mr Sugar said. These include new computers and a combined television and satellite receiver.

The company had a positive net cash position of £40m at the end of January, Mr Sugar said. Net interest expenses during the six-month period were "virtually nil".

The interim dividend was maintained at 0.4p. Earnings per share were 4.54p (3.43p).

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■ Xerox Corp. said it had introduced in the US its 5100 high-performance, high-speed copier, developed for marketing in Japan, Europe and North America, agencies report.

Xerox said it began production of the 5100 in mid-1990 and introduced it in the Japanese market in October 1990. Xerox will begin taking US orders for the 5100 later this month; the machine will be launched "at a later date" in Europe.

Compagnie de Suez poised to take further La Générale stake

By **George Graham** in Paris

DIRECTORS of Compagnie de [illegible] meet in Paris today [illegible] on [illegible] big [illegible] moves for the sprawling French financial conglomerate.

The Suez board is expected to approve the purchase from Mr Carlo de [illegible] Cerus of a further 9.96 per cent stake in Société Générale de Belgique, the Belgian industrial holding company of [illegible] control [illegible] ago after a bruising [illegible] with Mr de Benedetti.

[illegible] will also [illegible] plans to absorb Compagnie La Hénin, [illegible] troubled property [illegible] industrial holding com[illegible] of which it owns 44 per cent, by offering its own shares [illegible] remaining shareholders.

La Hénin shares [illegible] suspended yesterday, but [illegible] stockbrokers expected [illegible] would offer two of [illegible] own [illegible] for [illegible] one La Hénin, valuing the company [illegible] FFr3bn ($610m).

La Hénin [illegible] a [illegible] of FFr71m [illegible] year, weighed down by its US property operation. [illegible] by Labeyrie, its foie gras [illegible] offshoot; [illegible] by [illegible] Midi, the salt producer which is also France's largest winemaker. The group's losses in the first half of 1990 totalled FFr105m.

Mr Bernard Egloff, formerly one of three joint managing directors of Suez, was detached to La Hénin last year to overhaul its structures.

The purchase of the SGB shares would help Cerus, which is also understood to have scheduled a board meeting for today, to unload the heaviest burden from its debt-ridden balance [illegible]. Last year, Cerus exchanged part of its SGB stake for shares in Suez, and it has been selling off some of its other peripheral holdings.

Even though the sale of the SGB shares is likely to register a capital loss for Cerus – a price of around FFr2bn is widely expected, a third below their book value and half the initial acquisition cost – the resulting reduction in debt is regarded by stockbrokers as essential if the Benedetti company is to return to anything resembling health.

Italian press reports suggest, however, that Cerus may not be paid entirely in cash, but partly in convertible shares of a Suez subsidiary.

CLUB Méditerranée, the French vacation village operator, will announce today an alliance with Club Aquarius, a French tour operator, sources close to the companies said yesterday, AP-DJ reports.

They said the link was expected to involve an exchange of assets between the two leisure sector concerns.

Club [illegible] said top officials of the companies would hold a press conference today to make a joint announcement.

Club Aquarius owns 13 vacation villages in France and the Mediterranean basin. Its main asset is Air Liberté, a charter airline with nine aircraft, including six MD-83s, two Airbus A300-600 wide-bodied jets, and one Airbus A310.

AGA rise in line with forecasts

By **John Burton** in Stockholm

AGA, the [illegible] industrial gas group, lifted profits after financial items by 28 per [illegible] to SKr1.4bn ($257m) in 1990. The [illegible] matched its forecast [illegible] 30 per cent growth for the year.

[illegible] group is increasing the dividend to SKr8 per [illegible], compared with SKr7 for 1989. [illegible] price [illegible] the shares, however, fell on the Stockholm bourse following the announcement of the results.

Aga said sales advanced by 12 per cent to SKr12.4bn, while costs rose by 11 per cent to [illegible]10bn.

All of Aga's three main divisions recorded rises in profits and sales. Gas, its biggest unit, reported a 26 per cent increase in operating profit to SKr1.3bn, while sales rose by 13 per cent to SKr8.5bn.

The [illegible] unit improved operating profits by 22 per cent to SKr100m, although sales [illegible] by only 8 per cent to SKr1.2bn.

Frigoscandia, its food processing and cold storage division, [illegible] operating profit [illegible] by 8 per [illegible] SKr166m, while [illegible] by 14 per cent [illegible] SKr2.6bn. [illegible] totalled SKr1.3bn, – SKr115m [illegible] than in [illegible] – [illegible] which SKr1.1bn was spent on [illegible] operations.

Aga has reserved SKr40m for [illegible] resulting from [illegible] held in [illegible] Swedish investment companies, Nyckeln Holding [illegible] Mobilia, which recently went bankrupt.

Exports improvement helps EdF make small profit and reduce debt

By **William Dawkins**

ELECTRICITE de France (EdF), Europe's largest generator of nuclear power, yesterday unveiled a swing from [illegible] into a small profit for 1990, [illegible] a reduction in its heavy [illegible].

The year [illegible] "a [illegible] joy and pain, difficulties and successes," said Mr Pierre Delaporte, EdF's chairman. The group switched from a FFr4.2bn ($852.3m) loss in 1989 to FFr100m profit last [illegible], on sales up by 6.3 per [illegible] FFr147.1bn to FFr156.5bn over the same period.

[illegible] main contributors [illegible] the improvement were an 8.5 per cent rise in exports, which accounted [illegible] 12 [illegible] of output, and the [illegible] of a FFr1bn cost saving plan.

EdF complained last [illegible] to make a profit was hampered by [illegible] ment's refusal [illegible] prices [illegible] much [illegible] it wanted. However, officials [illegible] they expected to [illegible] happy with [illegible] year's tariff agreement, [illegible] be completed [illegible] weeks.

The group planned to hold [illegible] dependence [illegible] nuclear power at current levels, just under 80 per cent of output, for the foreseeable future, said Mr Jean [illegible], managing [illegible].

He warned, however, that [illegible] capacity [illegible] trans-frontier [illegible] and [illegible] technology [illegible] dealing with nuclear [illegible] set a natural limit on [illegible] EdF, which [illegible] Europe's biggest electricity exporter, could go on increasing foreign sales.

The biggest export [illegible] ers were Switzerland, Italy and Britain, while sales [illegible] Germany were rising from a small base. Negotiations were proceeding well for a possible joint ventures to build nuclear reactors in Hungary and Czechoslovakia, as well as for an EdF [illegible] eastern Germany's electricity supply industry, said Mr Bergo[illegible].

EdF's [illegible] from [illegible] to FFr226.1bn, which represents 1.44 times last year's turnover. That is a FFr6.4bn decrease on last year, of which FFr1.4bn was due to a fall in the dollar, in which 12 per [illegible] debts are denominated. [illegible] expects to shift an increasing proportion of its debt [illegible] over the coming year, to reduce its exposure to exchange rate changes.

Fairchild rises to $6.15m on assets sale

By **Nikki Tait** in [illegible] York

FAIRCHILD Corporation, the US industrial holding [illegible] the subject [illegible] a [illegible] tive [illegible] bid proposal [illegible] Britain's Mountleigh group, yesterday announced [illegible] profit [illegible] $6.15m in [illegible] fourth quarter of 1990 – [illegible] largely [illegible] profit from asset disposals.

Comparisons with the *previous* year [illegible] complicated by [illegible] sale of various [illegible] interests during recent *months. These included the flo*[illegible] of a [illegible] per [illegible] in Banner Aerospace, previously a wholly-owned subsidiary, in July.

As a result, [illegible] remaining [illegible] in Banner Aerospace is now equity-accounted.

Stated operating profit, therefore, fell from $12.7m to $10.0m. However, Fairchild [illegible] that if Banner Aerospace were excluded from [illegible] of figures, other interests showed an improvement [illegible] operating [illegible] to [illegible].

Interest [illegible] for [illegible] heavily indebted [illegible] significantly reduced, from [illegible] to $19.7m, leaving a smaller loss, [illegible] before extraordinary items, of [illegible].

The [illegible] in [illegible] same period [illegible] 1989 was $7.13m.

[illegible] turned into an [illegible] profit for the quarter, thanks to a [illegible] gain from [illegible] sale of discontinued operations, primarily the [illegible] posal of the foreign operations of Thompson [illegible] Company.

Shares in Fairchild [illegible] ¼ [illegible] yesterday.

Mountleigh, [illegible] heavily indebted [illegible] *stressed that its bid proposal is* tentative at present, had indi[illegible] *a price of $10.25 in* [illegible] and a further [illegible] in preference shares.

Kone pre-tax up by 10.3%

KONE, the Finnish lifts and crane-making group, reported a [illegible] per cent [illegible] in income before taxes and allo[illegible] in 1990 [illegible].1m, ($164.5m) [illegible] FM526m the previous [illegible] Enrique Tessieri in Helsinki.

Operating income [illegible] depreciation rose to [illegible] from FM782.6m, while consoli[illegible] sales [illegible] by 14.6 [illegible] from FM7.09bn.

Kone's [illegible] was also affected by a new dividend *tax, mainly responsible* [illegible] increasing [illegible] the [illegible] to [illegible] from FM112.1m.

The order book rose [illegible] FM6bn from FM5.18bn in 1989. Earnings per share in 1990 fell to FM66.29 from FM67[illegible].

Kansallis-Osake-Pankki hurt by strong markka

By **Enrique Tessieri** in Helsinki

KANSALLIS-Osake-Pankki (KOP), one [illegible] Finland's [illegible] largest commercial banks, reported a 22.7 per cent drop in 1990 profit before provisions and taxes to FM653.2m ($185m), from FM844.5m a year earlier.

Consolidated operating profit [illegible] to FM1.51bn from FM1.48bn. Credit [illegible] to rise, [illegible] by 35.1 [illegible] to [illegible] from [illegible] in 1989. [illegible] in [illegible] reached FM298.8m.

Mr [illegible] Lassila, chair*man, attributed* [illegible] drop in profits on the Bank [illegible] Fin[illegible] *policy to maintain* a strong markka, which [illegible] kept *Helsinki interbank* [illegible] (Helibor) [illegible] high levels. The introduction of new [illegible] systems and the [illegible] between fixed and market [illegible] rates also undermine profitability, [illegible].

[illegible] from financial operations rose by 26.9 per cent [illegible] from FM2.51bn. The introduction of a new dividend [illegible] system helped [illegible] raise [illegible] for the year [illegible] from FM121.1m.

Finnish [illegible] have been *slashing* [illegible] *in the face of* deregulation and [illegible] competition. To [illegible] these challenges, KOP is proposing to restructure the group along holding company lines, [illegible] links with insurance [illegible].

The number [illegible] employ[illegible] dropped by 511 to 9,730. [illegible] *number* [illegible] *branch offices* [illegible] fell by [illegible].

Consolidated return on equity in 1990 was 3.6 per cent, against 7 per cent.

Indosuez to buy out property partner

BANQUE Indosuez, the merchant banking subsidiary of France's Suez group, is to buy out Mr Dominique Bouillon, the property developer with whom it last year acquired the NMPP newspaper distribution building in one of Paris's largest property deals, writes George Graham in Paris.

Immobilière Satis, the Indosuez property arm, is to buy from Mr Bouillon the 67 per cent it did not already own of Foncière des Champs Elysées Promotion, the holding company which paid Hachette, the publisher, FFr2.78bn ($564m) for the building.

Many Paris property agents believe Indosuez and Mr Bouillon paid much too much for the building but Indosuez argues that it is premature to say it was a bad deal.

Peugeot sales increase falls short of estimate

By **William Dawkins**

PEUGEOT, [illegible] carmaker which also includes the Citroën marque, yesterday [illegible] a 4.6 per cent [illegible] in [illegible] year, much lower than the management's estimate of a 9 [illegible] rise last autumn.

Sales [illegible] to FFr159.9bn ($32.45bn) *in 1990 from* FFr153bn a year earlier, *although volume fell slightly,* by 0.8 per cent, to 2.17m vehicles.

Traditionally, the group discloses its annual profits in April, although Mr Jacques Calvet, the chairman, *has* already said that he hopes to produce net earnings close to the FFr10bn achieved in 1989.

[illegible] of the year, the world decline in car demand has forced Peugeot to cut jobs in Spain and reduce its [illegible] output by 10 [illegible] cent in February and [illegible].

The Peugeot marque increased its sales volume by [illegible] cent to 1.34m vehicles last year, while sales of *Citroën* cars fell by 5.1 [illegible] to [illegible] units.

[illegible] the total turnover, *French* sales rose by 6.2 per [illegible] FFr74.4bn, while [illegible] *European markets represen*[illegible] sales, a 3.9 [illegible] rise.

Elsewhere, sales fell by 1.2 *per cent to FFr10.2bn. Exports* overall rose steeply, by 15 per cent *to FFr71.9bn,* allowing the group to [illegible] its position *as France's biggest* exporter.

REUTERS REPORTS ON A FULL YEAR.

NEWS FOR BUSINESS

A major crisis generates a massive outpouring of news and data which affects all markets and may impact business decisions.

Reuters delivers the news as it happens. The invasion of Kuwait created a strong demand for energy information across all business sectors.

Reuters energy specialists sharply focused their expertise and provided comprehensive coverage of oil price movements and energy news as information came in from the Gulf, Washington and the major capitals.

Energy news is part of a portfolio of specialist Reuter news services on money and capital markets, equities and commodities. Combined with historical databases and delivered on Reuter 200,000 terminals worldwide or via Reuter trading room systems, these services form the backbone of our information products for the financial community.

When markets move on information, traders in foreign exchange and other sectors need to react as quickly as possible.

Reuter transaction products help them buy and sell currencies, bullion and equities and new developments will provide faster and better means of trading profitably in those markets as well as give the world's biggest commodities exchanges a new electronic trading system.

NEWS FOR MEDIA

The Reuter name has seldom seen more exposure in newspapers and the broadcasting media of the world.

The action stories of 1990, leading up to their climax in the Gulf war, were vivid pictorial events, often encapsulated in the Reuter News Pictures service or portrayed in a compact and meaningful way in the newly-launched Reuter News Graphics service.

With television coverage making a more dramatic impact than ever before, our Visnews television news agency subsidiary delivered the product of its camera crews covering each major event to more than 400 broadcasters across the globe.

The contents of this statement, for which the Directors of Reuters Holdings PLC are solely responsible, have been approved for the purposes of Section 57 of the Financial Services Act 1986 by Price Waterhouse as an authorised person. Reuters Holdings PLC is required by the rules of The Securities and Investments Board to state that past performance is not necessarily an indication of future performance. A full copy of the statement may be obtained from the Corporate Relations Department, 85 Fleet Street, London EC4P 4AJ

The world kept Reuters busy in 1990, and entered 1991 with no let-up. More than 100 Reuter personnel, sometimes working in difficult circumstances, manned key news centres in the Middle East as the Gulf war unfolded.

The year which saw Kuwait invaded also saw Germany reunified and political turmoil in the Soviet Union, including the Baltic states.

The release of Mandela was only one of the stories which brought Africa to the fore. In Britain, there was a new prime minister.

Altogether, it was a challenging year. Reuters resources were tested continuously in all areas.

Our journalists, photographers and cameramen from 115 bureaux were on hand to write about, and picture, every key event.

Our technical and customer service personnel were there to ensure swift and efficient delivery of the news and data our clients require to support their business in volatile markets.

Behind the scenes, our development and marketing staff worked on information products for the decade ahead.

PRELIMINARY RESULTS
TO 31 DECEMBER 1990 (unaudited)

	1990		1989		Difference
	£m	US$m	£m	US$m	%
Revenue	**1,369.0**	**2,642.1**	1,186.9	2,290.7	+15.3
Pre-tax profit	**320.1**	**617.8**	283.1	546.3	+13.1
Taxation	**111.7**	**215.6**	101.9	196.7	+9.6
Profit after tax	**208.4**	**402.2**	181.2	349.6	+15.0
Dividend	**62.9**	**121.4**	54.0	104.2	+16.4
Earnings per share (ADS)	**49.5p**	**($2.87)**	43.6p	($2.53)	+13.5

The financial information for the year ended 31 December 1989 has been extracted from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under section 237 of the Companies Act 1985. Statutory accounts for the year ended 31 December 1990 will be delivered to the Registrar of Companies following the Annual General Meeting on 25 April 1991. For convenience the US dollar equivalents for both years have been converted at a buying rate at 31 December 1990 of US$1.93 to £1. Each American Depositary Share represents three Reuters ordinary shares.

Despite the brisk and costly pace of coverage, our staff in around 80 countries helped Reuters to turn in pre-tax profit growth of 13.1% in 1990. Our shareholders will receive a dividend 15.4% higher than in 1989.

For more details, please write to the Manager, Corporate Relations, Reuters Holdings PLC, 85 Fleet Street, London EC4P 4AJ.

REUTERS

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NOTICE OF REDEMPTION

WALT DISNEY PRODUCTIONS

9⅛% Guaranteed Notes
due March 29, 1995
ECU 80,000,000

To the holder of the notes payable in European Currency Units of the issue designated, Walt Disney Productions 9⅛% Guaranteed Notes 1985-95 due March 29, 1995, first redemption instalment of ECU 16,000,000 due March 29, 1991.

Public notice is hereby given that the Walt Disney Company intends to and will redeem for mandatory redemption purposes on March 29, 1991 pursuant to the provisions of Clause 6(b) of the terms and conditions of the Notes, an amount of ECU 16,000,000 which has been drawn by lot.

6,400 notes bearing [illegible] nominal value of 1,000 and [illegible] notes bearing a nominal value of 10,000 with the following serial numbers are called on March 29, 1991 at 100% of principal amount plus accrued interest.

Denomination of ECU 1,000:-

[illegible] 004809 004810 [illegible] [illegible] 004834 [illegible] [illegible] [illegible] 004860 [illegible] 004870 [illegible] 004879 004880 004884 004891 004895 004898 004912 004914 004923 [illegible] 004933 004936 [illegible] [illegible] [illegible] [illegible] 004961 004962 004964 [illegible] [illegible] 004975 004980 004985 004993 004996
005014 [illegible] 005019 005022 [illegible] 005025 005026 [illegible] [illegible] 005046 [illegible] [illegible] [illegible] 005054 005063 005070 005075 005079 005080 [illegible] 005105 [illegible] 005119 005120 [illegible] [illegible] [illegible] [illegible] [illegible] 005141 005150 005156 005157 005158 005162 005165 005188 005193 005198
005199 005200 [illegible] [illegible] 005205 [illegible] [illegible] 005227 005228 005236 005240 005243 005253 005258 005262 005278 005285 005291 005293 005295 [illegible] [illegible] 005303 005310 005317 [illegible] [illegible] [illegible] [illegible] 005337 005343 005350 005354 005356 005363 005364 005373 005386 005387
[illegible] 005395 [illegible] [illegible] [illegible] [illegible] [illegible] 005429 005441 005450 005452 005456 005457 [illegible] 005459 005460 005462 005467 005470 005472 005473 005491 005502 005518 [illegible] 005521 [illegible] 005530 [illegible] 005552 005553 005554 005557 005562 005566 005567 005578 005588 005591
005582 005584 005585 005606 [illegible] 005610 005611 [illegible] 005626 [illegible] 005644 [illegible] [illegible] 005649 005653 005662 [illegible] 005671 005672 005673 005685 005691 005699 005711 005712 005719 [illegible] [illegible] 005741 005742 005743 005745 [illegible] [illegible] 005759 005760 005762 005765 005767
[illegible] [illegible] [illegible] [illegible] 005802 [illegible] 005811 005819 [illegible] 005837 [illegible] 005850 005851 005859 005861 005865 005871 005873 005874 005881 [illegible] 005889 005895 [illegible] [illegible] 005903 [illegible] [illegible] [illegible] [illegible] [illegible] 005947 005951 [illegible] 005959 005966 005970 005980 005986
005988 005991 005993 [illegible] [illegible] [illegible] [illegible] [illegible] 006012 006014 006018 006019 006020 006023 006029 006032 006035 006040 [illegible] 006044 [illegible] [illegible] 006093 [illegible] 006097 [illegible] 006113 [illegible] [illegible] [illegible] 006127 006131 [illegible] [illegible] [illegible] [illegible] 006149 006155 006161
[illegible] 006161 [illegible] [illegible] 006193 [illegible] [illegible] [illegible] [illegible] 006216 006217 006231 006237 006243 006244 006250 006274 006284 006285 006287 006288 006289 [illegible] 006293 [illegible] 006295 006301 006302 [illegible] [illegible] [illegible] [illegible] [illegible] 006521 006531 006540 006541 006547
[illegible]

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INTERNATIONAL COMPANIES AND FINANCE

Sears to shed further 9,000 staff

By [redacted] Zagor in [redacted] York

[redacted] Roebuck, the world's biggest retailer, is to take further drastic measures to cut costs by eliminating 33,000 jobs by the end of the year, about 9,000 more than the company had previously announced.

[redacted] believes [redacted] move will save about $600m [redacted] taxes in [redacted] and [redacted] annually afterwards.

Mr Walter Loeb, a retail analyst, said the move was "very positive. For the first time the company has taken the bull by the horns".

However, some analysts believe Sears will have to take further measures to improve [redacted] competitive position. Ms Stacy Dutton, of Morgan Stanley, [redacted]: "We haven't seen [redacted] worst yet."

Sears has [redacted] trying to revive [redacted] flagging retail operations [redacted] about [redacted] But some analysts claim the [redacted] not invested enough [redacted] retailing businesses [redacted] make [redacted] competi[redacted] "There [redacted] competition in almost every [redacted] Sears' merchandise categories," [redacted]

Furthermore, in addition to suffering from the erosion in consumer spending which has plagued US retailing, Sears' performance has been weakened by its Allstate insurance division because of substantial catastrophe-related [redacted]

[redacted] company [redacted]ed sharply lower fourth-quarter earnings. Stripping out large [redacted]ing charges in the [redacted] quarter, [redacted] had net [redacted] of $534m, or $1.55 [redacted] share, compared with $802.1m, or $1.76, a year ago.

During the last [redacted] an [redacted] restructuring charge of $155.2m which reduced net income to $378.8m, or $1.10 [redacted] share. [redacted]nues in the latest quarter were $15.56bn, up 2.5 per cent from $15.15bn a year ago.

For the whole of 1990, [redacted] had underlying net income [redacted] or $3.08 [redacted] share, excluding the restructuring charges. Reported net income [redacted] or [redacted] a [redacted] pared with $1.51bn, or [redacted] including [redacted] in earnings from discontinued operations.

Annual [redacted] improved [redacted] per cent [redacted] from $53.79bn.

A&A surges to $20m in quarter

By Nikki Tait in New York

ALEXANDER & Alexander, [redacted] world's [redacted] largest insurance broker, [redacted] reported a "substantial improvement" in fourth-quarter operating results, although net profits for the year – before allowing for one-off [redacted] – were [redacted] 8.6 per cent [redacted] at $54.9m.

[redacted] said it made an after-tax profit of $20m in [redacted] three months of [redacted] compared with $13.7m in the same period [redacted] earlier. [redacted] translated [redacted] per share of 49 cents, compared with 33 cents.

But the fourth-quarter [redacted]parison was flattered by a gain of 21 cents a share from the settlement of certain pension obligations in [redacted] UK, [redacted] by 15 [redacted] of charges related [redacted] group's restructuring.

By contrast, the year-on-[redacted] comparison looked [redacted]vourable, mainly because 1989 took [redacted] $7.2m of non-recurring gains from asset sales. [redacted] that if one-off [redacted] were excluded, 1990 income [redacted] continuing operations [redacted] by 6 per cent.

The company's chief executive, Mr Tinsley Irvin, said market conditions [redacted] remained soft, but that underlying operating income had improved in the final quarter. [redacted] added that the UK reinsur[redacted] operation showed good new business revenues and [redacted] revenue for the consulting group had advanced by [redacted] 15 per [redacted]

Unisys suspends dividend payment

By Louise [redacted] in San Francisco

UNISYS, [redacted] struggling [redacted] computer [redacted] is suspending payment of dividends on its preferred [redacted] a move [redacted] save [redacted] about $120m a year.

[redacted] Unruh, Unisys chairman [redacted] executive, has [redacted] plans to [redacted] "non-core assets". He said [redacted] aims to divest is now valued [redacted] than $1bn. [redacted] potential buyers [redacted] initiated, Unisys [redacted] Mr Unruh has previously acknowledged, however, [redacted] moving [redacted] slowly than he had anticipated. "We still think that it is [redacted], but difficult," [redacted] Unisys spokesman said.

[redacted] Corporation [redacted] Japan acquired $150m worth of Unisys preferred [redacted]

The suspension of preferred [redacted] in [redacted] moves [redacted] Unisys [redacted] reducing [redacted] heavy [redacted] has carried since the company was formed by the [redacted] of Burroughs [redacted] Sperry in [redacted] year, Unisys suspended payment of divi[redacted] common [redacted]

Unisys [redacted] had [redacted] debt, [redacted] cash, by [redacted] in 1990 and has set [redacted] goal of [redacted] minimum of another $600m reduction [redacted] 1991. At the end of 1990 the company's debt stood at $3.7bn.

"While we made significant [redacted] in reducing [redacted] during [redacted] in this [redacted] and uncertain economic climate, suspension of the dividends is [redacted] prudent [redacted] provide additional funds for our [redacted] reduction effort," Mr Unruh said.

Unisys reported [redacted] net loss [redacted] for 1990. Preferred dividend payments brought [redacted] to $551m or [redacted] per common share. Losses included a third-quarter charge [redacted] for lay-offs and consolidation.

Alcan Australia dips into the red

[redacted] Kevin Brown

ALCAN Australia, [redacted] per cent subsidiary of Alcan Corporation of Canada, yesterday blamed low aluminium prices [redacted] high production [redacted] of A$13.3m ($10.35m) for [redacted] year [redacted] December, compared with [redacted] profit of A$63.8m [redacted] preceding year.

The [redacted] put [redacted] of 3 cents, [redacted] from [redacted] cents in last year's second half, making [redacted] for [redacted] year of 5 cents, compared [redacted] 20 [redacted] previous year.

The profit [redacted] struck on sales of A$645m, [redacted] from A$714m. [redacted] said export sales – mainly aluminium ingots – increased in volume, but fell by 15 per cent [redacted] A$201m because of lower prices. [redacted] sales, mainly [redacted] aluminium, [redacted] foil, fell 7 [redacted]

Alcan said [redacted] normally expect [redacted] activities [redacted] buoy profits in [redacted] of [redacted] metal prices, [redacted] margins were [redacted] by [redacted] competition in [redacted] residential building sector following Australia's [redacted] recession [redacted]

The directors [redacted] an extensive upgrading [redacted] mill [redacted] commissioning costs.

The [redacted] also [redacted] from interruptions to production which [redacted] group [redacted] unable [redacted] recover.

The directors [redacted] they were committed to reducing [redacted] operating [redacted] of [redacted] group to [redacted] profitability.

They [redacted] that [redacted]petitiveness would [redacted] increased by the improvements [redacted] mill [redacted] a new [redacted] recycling facility which [redacted] operational by [redacted] middle [redacted] year.

Uncertainty in world markets [redacted] weak Australian economy [redacted] forecasting [redacted] "optimistic [redacted] improvement both in [redacted] profitability," the [redacted]

Alcan increased capital spending from A$41m [redacted] during [redacted] year, partly [redacted] increase [redacted] of the domestic market for sheet aluminium through the acquisition [redacted] aluminium rolled product business of Austral B[redacted] Crane Copper.

Future of Panguna copper mine 'uncertain'

By Kevin Brown in Sydney

THERE [redacted] "considerable [redacted]certainty" over the future [redacted] the Panguna copper mine on Bougainville island, in [redacted] of a recent [redacted] agreement between [redacted] rebels and the Papua [redacted] Guinea (PNG) government, Bougainville Copper [redacted] yesterday.

The company, [redacted] 53.4 per cent subsidiary of CRA, the Australian mining group, said it intended to resume mining "when conditions on [redacted] permit," but was unable to say when that would be because officials had not been able to visit the island.

The board said it estimated that the cost of re-opening the mine would be [redacted] Kina [redacted] and K350m ($371m) if production resumed in 1992, but warned that the cost could be even higher if the mine was in worse condition than expected.

The estimates emerged in Bougainville Copper's results statement [redacted] year to December 1990, which revealed a pre-tax loss of K4.2m on [redacted] of K3.9m, compared with a pre-tax profit of K28.9m on sales [redacted] K232m in the previous [redacted]

The company made [redacted] net loss of K14.6m, against a loss of K20.6m, after taking account [redacted] tax and extraordinary losses of K13.9m.

The board said that [redacted] had written off K80m before tax to cover damage [redacted] but further write-downs might [redacted] required.

The board [redacted] its [redacted] of recommissioning [redacted] on detailed reviews [redacted] out on the [redacted] resumption of production would [redacted] unlikely before [redacted]

"Whilst they assume no major damage [redacted] production [redacted] through vandalism or militant action, [redacted] allow [redacted] increased level of [redacted] likely [redacted] of the prolonged closure, and for anticipated vandalism [redacted] and pilferage from infrastructure, and accommodation facilities," the board [redacted]

All company personnel were withdrawn from the mine last March, shortly before Bougainville [redacted] itself independent after the Bougainville Revolutionary Army (BRA) forced government troops [redacted] leave the [redacted]

The peace agreement, signed last month in Honiara, capital of the Solomon Islands, raised [redacted] of [redacted] quick reopening of the mine, which once provided 40 per cent of PNG export revenue.

The board [redacted] the agreement [redacted] "a welcome development."

But [redacted] noted that [redacted] on the future political status of Bougainville have been deferred, and [redacted] that [redacted] recommencement of operations by the company would require the re-establishment [redacted] political stability on the island."

Western Mining advances to record A$223m

By Kevin Brown

WESTERN Mining Corporation Holdings, the Australian mining group, increased [redacted] profits by 6 [redacted] six months to December to a record A$223m (US$174.2m), the board announced yesterday.

Most of the improvement came from [redacted] group's [redacted] gold operations and from equity accounted profits from [redacted] per cent holding in Alcoa Australia, the world's largest bauxite and alumina producer, [redacted] is controlled by Alcoa of the US.

The result was in line [redacted] market expectations [redacted] reflected Western Mining's [redacted] of [redacted] depressed [redacted] metal prices, which [redacted] hit the profits of other [redacted] groups such as MIM Holdings.

However, the [redacted] net profits from the group's [redacted] activities increased by only [redacted] per cent [redacted] A$142m, while [redacted] profits from its interest in Alcoa [redacted] by [redacted] per cent to A$81m.

The board increased [redacted] interim dividend from 11 cents to 13 [redacted] fully franked.

Full-year profits are expected to fall slightly from last year's A$417m, partly [redacted] Alcoa [redacted] that its 1991 profits [redacted] be expected to match 1990."

At the operating level, [redacted]ld profits increased by 110 per cent to A$69m.

Production increased by [redacted] per cent to [redacted] and unit costs [redacted] by 22 per cent because of increased efficiency [redacted] improved grades, the board said.

[redacted] contribution from oil activities increased from A$4.7m to [redacted] because [redacted] cent increase in production to 2.8m barrels and [redacted] 58 per cent [redacted] in prices to an average [redacted] a barrel.

However, the board said that [redacted] 6 per cent [redacted]ion in [redacted] costs failed to protect [redacted] operations from a 12 per cent fall [redacted] the US dollar value [redacted] and operating profits fell by [redacted] to A$62m.

Western Mining said [redacted] had charged [redacted] against profits for exploration costs, and [redacted] a provision of A$7m [redacted] the [redacted] on the [redacted] of its Fijian interests to Emperor Gold [redacted]

APB in joint venture with BIL to control Magnum

[redacted] Terry Hall [redacted] Wellington

ASIA Pacific Breweries (APB), jointly owned by Heineken of the Netherlands and Fraser and Neave, a Singapore soft drinks group, [redacted] gained a strategic stake in [redacted] Australia and New Zealand brewing and hotel industry. It [redacted] set [redacted] joint venture, [redacted] which [redacted] holds 54.4 per cent, with Brierley Investments (BIL) to control Magnum Corporation.

The deal strengthens BIL's involvement in [redacted] industry as it gains a 14.7 per cent shareholding in Lion Nathan, the New Zealand brewer which [redacted] recently gained control of Bond Corporation's brewing interests throughout Australia.

Magnum also owns Tasmanian Breweries and [redacted] of hotels on the mainland, through a joint venture with Wilson [redacted] The [redacted] require New Zealand [redacted] commission approval. But, Mr Bruce Hancox, BIL chairman, [redacted] no competition problems would [redacted] his [redacted] having [redacted] in [redacted] Lion and Magnum following [redacted] (US$151.5m) [redacted]

APB, formerly Malayan Breweries, [redacted] seeking to expand its interests in New Zealand for a decade as a shareholder in Lion [redacted]

It is believed BIL will [redacted]tually sell its Lion Nathan shares, which [redacted] valued at NZ$190m, as part of [redacted] drive [redacted] sell [redacted] following [redacted] Mount Charlotte purchase. [redacted] also paid BIL [redacted] under the deal [redacted] which it gained [redacted] 27.2 per cent shareholding in Mag[redacted]

Stelco posts C$196.7m loss as sales tumble 24%

[redacted] Simon in Toronto

THE woes of the Canadian steel industry are reflected in a C$196.7m (US$171m) loss suf[redacted] last year by Stelco, the country's second biggest steelmaker.

The record loss, equal [redacted] C$5.96 a share, follows earnings of C$93.9m, or C$2.25 [redacted] share, in [redacted]

[redacted] by 24 per cent [redacted] C$2.1bn and [redacted] shipments [redacted] 3.4m [redacted] from 4.3m tons.

Last year's loss included C$42.2m in restructuring expenses and a C$30m write-down of an investment in a steel fabricating [redacted]

[redacted] Stelco [redacted] blamed [redacted] poor performance [redacted] factors which have hurt the [redacted] steel industry as [redacted] whole in the past year, including weak demand (especially in [redacted] motor and construction industries), fiercely competitive pricing, [redacted] strong [redacted]dian dollar and high [redacted] rates.

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FT LAW REPORTS

Making good is to class standard

GREAT MARINE
Court of Appeal (Lord Justice Lloyd, Lord Justice Nourse and Lord Justice Bingham): January [redacted] 1991

REPAIRS [redacted] *a ship's propeller* carried out under the Norwegian Sale form requirement that [redacted] discovered on the delivery inspection shall be "made good" to [redacted] classification society's satisfaction at seller's [redacted], are subject to such standard as will satisfy the society, and [redacted] will not be liable in damages to the buyer for [redacted] incurred in making good in [redacted] of that standard.

The Court [redacted] Appeal so held by majority when allowing an appeal from part of a judgment by Mr Justice Leggatt on [redacted] claim under [redacted] by Ateni Maritime Corporation, buyers [redacted] Great Marine, against the sellers, Great Marine Ltd.

LORD JUSTICE LLOYD dissenting, [redacted] in April [redacted] Ateni agreed [redacted] buy [redacted] Marine under [redacted] on [redacted] Norwegian [redacted].

Clause [redacted] of the printed form was struck out, subject [redacted] clause 19.

Clause [redacted] provided [redacted] buy[redacted] should jointly [redacted] for inspection by an ABS [redacted] approved diver. [redacted] found damage [redacted] parts "which [redacted] condition of class being placed on the vessel", [redacted] would [redacted] re-instated [redacted] dry-docked.

On May [redacted] 1989 there was a joint underwater inspection pursuant [redacted] clause 19. [redacted] discovered [redacted] the propellor was [redacted] seriously damaged [redacted] classification society ABS had been informed, it [redacted] have [redacted] a [redacted] relating [redacted] class.

Clause 11 provided [redacted] vessel should be [redacted] and taken [redacted] "as [redacted] inspection . . . with present [redacted] free [redacted] dations". [redacted] notify [redacted] society of [redacted] coming [redacted] their knowledge prior [redacted] delivery which would lead to withdrawal of class [redacted] a recommendation relating to class.

In breach [redacted] the sellers [redacted] notify [redacted] *classification society*. [redacted] vessel [redacted] May 25 [redacted] having been drydocked, [redacted] repairs to [redacted] propellor.

The [redacted] a recommendation under clause 19 would have been re-instatement [redacted] printed clause [redacted].

Clause [redacted] provided that in connection with delivery the [redacted] should place the vessel in drydock [redacted] inspection by *the society and, if the propellor* [redacted] other underwater parts were found broken, damaged or defective "so as to affect the vessel's clean certificate [redacted] class, such [redacted] shall be made good at the sellers' [redacted] ABS's [redacted] without qualification".

If [redacted] propellor or [redacted] underwater parts [redacted] found to [redacted] broken, damaged or defective, the [redacted] of putting the vessel in and taking her out of dry dock were to be paid by the [redacted].

[redacted] 18 [redacted] provided [redacted] the [redacted] "with present [redacted] fully maintained free of all class recommendation free of any average damage affecting class".

After taking delivery the buyers [redacted] vessel, [redacted] December [redacted] they put her [redacted] drydock [redacted] Propellor repairs [redacted] place. In addition, the buyers carried [redacted] certain work for [redacted].

Mr Clarke for the sellers accepted [redacted] they were [redacted] for [redacted] repairing [redacted] propellor, but [redacted] necessarily for [redacted] in which the repairs were carried out. Further questions [redacted] *alia* [redacted] sellers were [redacted] liable for the cost of drydocking.

Before [redacted] drydocking Mr [redacted] Leggatt gave judgment for [redacted] buyers [redacted] liability [redacted] their claim for damage [redacted] *propellor*, [redacted] *referred the* question of damages [redacted] the *Admiralty registrar*.

[redacted] directed [redacted] registrar [redacted] to how [redacted] approach any disputed question of damages. When he [redacted] his [redacted] drydocking [redacted] in [redacted] future.

Mr Clarke submitted [redacted] in the light [redacted] subsequent [redacted] there were [redacted] and uncertainties which should [redacted] resolved before [redacted] case went to [redacted] registrar. [redacted] submitted that the judge [redacted] in his construction [redacted] 6.

There [redacted] in which the propellor [redacted] been repaired.

One was by cropping [redacted] grinding the damaged [redacted]. That would have involved reducing the [redacted] by [redacted] inches.

The other [redacted] *was by heating* and fairing. That would have left the propellor with its original diameter.

Both methods would normally have been carried out with the vessel in drydock *with* [redacted] propellor [redacted] *situ*, [redacted] by removing it and carrying out the repair in [redacted] workshop. In an emergency both repairs could be undertaken with [redacted] afloat, by tipping it for[redacted] and carrying out repairs *from* [redacted] *platform*.

The judge held that the proper method [redacted] carrying [redacted] the [redacted] in the present [redacted] was by heating and fairing in a workshop.

Mr Clarke submitted that in reaching that conclusion he misconstrued [redacted]. He had applied too high a standard.

All that clause [redacted] required [redacted] to do, [redacted] Mr Clarke, was [redacted] carry [redacted] repairs [redacted] *satisfaction* of ABS without qualification. If the sellers had *repaired the* [redacted] by cropping and grinding [redacted] afloat, *the repairs* [redacted] approved and any [redacted] recom[redacted] removed.

Accordingly, Mr [redacted] contended, [redacted] buyers could not now [redacted] heating [redacted] fairing as opposed to cropping and grinding, and could not [redacted] the cost of drydocking.

The argument [redacted] not accepted.

There [redacted] only one way [redacted] making something good when [redacted] had [redacted] damaged. That [redacted] by restoring [redacted] its pre-damaged condition.

The obligation to [redacted] good [redacted] the primary obligation under clause 6.

Making good must [redacted] done [redacted] *satisfaction* [redacted] surveyor without qualification. [redacted] that [redacted] measure of the sellers' obligations. [redacted] was [redacted] minimum, not a maximum. If [redacted] repairs could not properly [redacted] "making good", [redacted] mattered [redacted] done [redacted] the [redacted] surveyor's satisfaction, [redacted] mendation being removed.

The judge adopted [redacted] right construction of clause 6.

The court should not disturb his finding that the appropriate measure of damages was [redacted] *of heating and fairing* in a workshop, which would involve the vessel's being in drydock during the repairs.

The appeal [redacted] be [redacted].

[redacted] JUSTICE BINGHAM in [redacted] majority judgment, [redacted] it [redacted] *common ground that the case must be approached as if clause 6* [redacted] been duly reinstated.

[redacted] provided for inspection by ABS, and that if the propellor [redacted] other underwater *parts were found broken* "so [redacted] affect the [redacted] of class", such defects [redacted] be made good at the sellers' [redacted] "to ABS's satisfaction without qualification".

The sellers [redacted] their obligation was [redacted] whatever was reasonably [redacted] by way of rectification, repair or renewal [redacted] obtain [redacted] clean [redacted]tificate [redacted] from ABS. It was not, they said, [redacted] independent obligation to [redacted] good.

The buyers [redacted] the sellers' obligation [redacted] the damaged part [redacted] its pre-damage condition.

The seller's contention [redacted] preferable.

This was by [redacted] means a [redacted] ship. [redacted] had been trading for [redacted] years or [redacted]. The buyers [redacted] *the* [redacted] warranty [redacted] would on delivery *have her existing class* fully maintained [redacted] *recommendations and* [redacted] *of* average damage affecting [redacted].

The sellers' obligation [redacted] deliver the ship with [redacted] from [redacted]. That [redacted] contractual [redacted] of quality, [redacted] standard [redacted] be met.

The buyers [redacted] complain if the [redacted] than [redacted] clean certificate [redacted] ABS.

To [redacted] the [redacted] requiring [redacted] the [redacted] distorted the meaning of the contract and introduced uncertainty into what was, [redacted] it stood, a very clear and intelligible obligation.

[redacted] buyers [redacted] be put in [redacted] *position as* if [redacted] sellers had performed *their contractual obligations*. [redacted] been properly performed, [redacted] buyers would [redacted] been obliged [redacted] be [redacted]tented with cropping and grinding [redacted] workshop.

Damages should be [redacted] in [redacted] with [redacted] conclusions.

LORD JUSTICE NOURSE agreed with Lord Justice Bingham.

For the buyers: Michael Dean QC [redacted] *Christopher* [redacted] *& Co).*

For [redacted] *sellers: Anthony Clarke QC and* [redacted] *Gault (Lloyd & Co).*

Rachel Davies
Barrister

INTERNATIONAL CAPITAL MARKETS

Non-bank loans fuel construction in Japan

By Stefan Wagstyl in Tokyo

FRESH evidence [redacted] the role [redacted] leasing, credit and finance companies in funding [redacted] recent surge in Japanese property investment has come to light in [redacted] report published by *the ministry of finance*.

Loans to property developers *and building companies* accounted for 40.2 per cent of the lending of [redacted] *leading* finance companies surveyed last September. This compares with 17 [redacted] cent for banks.

The report [redacted] amid demands from the public [redacted] the ministry [redacted] crack down on property loans by the [redacted] companies – [redacted] non-banks in Japan. Non-bank lending [redacted] developers mushroomed after the ministry [redacted] lending by banks [redacted] April. [redacted] the ministry has been unable to act quickly because its monitoring of non-banks has been light in comparison [redacted] strict regulations exerted over the banking industry.

Ministry [redacted] said the figures showed that non-bank [redacted] property companies were "large" but [redacted] were "too large" was too early [redacted]. The ministry [redacted] in [redacted] midst of preparing an in-depth [redacted] on non-banks, including [redacted] examination of their links [redacted] banks, which [redacted] very [redacted] and [redacted].

The ruling Liberal Democratic Party [redacted] conducting [redacted] own [redacted] in [redacted] to public criticism [redacted] non-bank lending [redacted] property companies. [redacted] complain [redacted] they have [redacted] *unfairly* [redacted] *for* [redacted] surge in property prices of the [redacted] 1980s, which, now that prices have stopped rising, has caused serious financial [redacted] for some over-borrowed companies.

Non-bank company managers [redacted] the label "non-bank" [redacted] misleading since it covers different [redacted] business, including consumer finance and credit card lending, which *are unrelated to property* lending.

Mexican [redacted] in Tokyo [redacted] a discount

JAPANESE banks are [redacted] Mexican government bonds [redacted] their risk assets [redacted] profits before [redacted] the end of March, Japanese bank sources [redacted].

The sources were unable to say how many of the bonds [redacted] being sold but noted they were being sold at a discount, [redacted] reports from Tokyo.

The bonds were [redacted] *last* March under the [redacted] reduction plan put forward by Mr Nicholas Brady, [redacted] treasury secretary. They [redacted] currently trading at about 68 per cent of face value, compared with 60 per cent when first issued, the sources [redacted].

Japanese banks [redacted] boost profits [redacted] current fiscal year ends," one bank official [redacted].

Japanese bank profits in the fiscal year ending [redacted] 31 [redacted] *expected* [redacted] *sharply* [redacted] year-earlier [redacted] due to increasing [redacted] of funds, narrowing [redacted] margins and [redacted] sliding stock market, industry analysts said.

Selling the Mexican government [redacted] will [redacted] help banks meet international capital adequacy requirements. The Bank for International Settlements requires that by March 1993 banks set aside [redacted] equal *to 8 per cent* [redacted] judged to be [redacted] risk, from [redacted].

Under [redacted] Brady plan, [redacted] by *Mexico* [redacted] *Japanese* commercial banks was exchanged for Mexican government bonds, denominated mainly in [redacted] The [redacted] in trading prices [redacted] the [redacted] government bonds is mainly due to [redacted] recovering economy, [redacted] sources said.

Canadian bank in joint venture

TORONTO-DOMINION Bank has formed two links that help it *to expand operations outside* Canada, agencies report.

Toronto-Dominion Securities, the wholly-owned investment banking arm of the Canadian bank, said that it had agreed [redacted] with Hambros Bank *of London in corporate* finance, especially mergers and acquisitions.

Toronto-Dominion has also formed [redacted] joint venture with a unit of NBD Bancorp, NBD Bank of Michigan, [redacted] offer *cross-border banking services*, which will allow TD's Canada-*based clients* [redacted] electronically exchange both paymentsand information with their US-based trading partners.

Toronto-Dominion said that the banks would act on each other's behalf, *providing* access into their respective

Bonds creep higher after early profit-taking bout

By Patrick Harverson in New York and Tracy Corrigan in London

US government bonds recovered from early profit-taking related weakness to stand *modestly* higher in the mid-morning amid continuing hopes of another [redacted] cut by the [redacted] Reserve.

By midday, [redacted] benchmark [redacted] Treasury bond was up [redacted] at 99⅜ to yield 7.941 per cent, while [redacted] the short end of the [redacted] the two-year note was unchanged [redacted], yielding 6.756 per cent.

Activity was reported [redacted] light, with [redacted]dic early selling, followed by [redacted] short-covering by [redacted] and [redacted]sional retail buying. All eyes remain on publication of this [redacted] economic [redacted], which kicks off today with the release [redacted] the retail sales figures for January.

In the Fed funds market, the *Fed* was [redacted] to arrange two-day repurchase agree*ments for the second* consecutive day to keep a lid on the Fed funds rate.

After the Fed's intervention, *Fed funds were trading at* 6⅞ per cent, around their opening levels but still above the Fed's preferred target of 6¼ per cent.

■ PRICES in German [redacted] fell by [redacted] to [redacted] point, as international and [redacted] shunned the [redacted].

Traders said the market had been overdue for a correction, following last week's rally. Analysts [redacted] that recent bad news on the condition of the east German economy, compounded by the technical correction, has left the market vulnerable.

The March bund futures contract on the London International Financial Futures [redacted] fell about 0.30 point to 85.

■ IN THE UK gilts market, *prices* opened lower, with [redacted] market rates a little higher, reflecting disappoint[redacted] that [redacted] cut in [redacted] rates might [redacted] delayed by Monday's poor producer prices data.

However, the [redacted] recovered when weaker prices brought in UK institutional buyers, especially at the long end of the [redacted]. Index-linked gilts [redacted] benefited from the realisation that the rate of inflation may take longer to come down than had been hoped.

The gilt futures contract on Liffe ended at 92⅝, up from its opening level of 92⅛.

Traders are now focusing on tomorrow's unemployment data and Friday's retail price data for some indication of when rates will be cut.

■ THE Japanese bond market was little changed from Friday's close, when it reopened after Monday's holiday.

Traders focused on technical issues, as the No 129 Japanese government bond issue finally looks set to become the benchmark.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	[redacted] Date	Price	Change	[redacted]	Week ago	Month ago
UK GILTS		13.500	[redacted]	103-19	+01/32	[redacted]	11.27	11.48
		9.000	[redacted]	94-03	+07/32	[redacted]	10.11	10.45
		9.000	[redacted]	[redacted]	[redacted]	9.77	9.83	10.11
US TREASURY *		7.750	11/00	99-28	+02/32	7.77	7.84	8.16
		7.875	08/20	99-00	+0/32	7.96	8.02	8.35
[redacted]	No 119	[redacted]	6/99	99.9161	-0.240	[redacted]	[redacted]	[redacted]
	No 129	6.400	03/00	100.1440	-0.173	[redacted]	[redacted]	6.55
GERMANY		9.000	10/00	103.5500	-0.320	8.46	8.45	8.93
FRANCE	BTAN	9.000	[redacted]	98.1310	-0.216	9.48	9.72	10.25
	OAT	9.500	[redacted]	102.0500	[redacted]	9.17	9.27	9.66
CANADA *		10.500	03/01	100.6500	+0.075	9.46	9.74	10.15
NETHERLANDS		9.250	11/00	[redacted]	-0.060	[redacted]	8.74	9.24
[redacted]		[redacted]	07/00	[redacted]	-0.641	[redacted]	11.40	12.22
BELGIUM		[redacted]	[redacted]	[redacted]	-0.150	[redacted]	9.16	9.69

London closing. *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Japanese bond index launched

By Robert Thomson in Tokyo

GOLDMAN Sachs [redacted] Industrial [redacted] Japan yesterday announced the *launch of a new bond index for* the Japanese government mar[redacted].

[redacted] institutions are due [redacted] sign [redacted] agreement next week, but the index already has the approval of Japan's ministry of finance. [redacted] US [redacted] plans [redacted] seminars next month to explain the index.

The [redacted] will [redacted] at least five issues from each of four different maturity periods and weight the average returns *for* each period.

[redacted] Bracebridge Young, man[redacted] director of Goldman Sachs (Japan) said [redacted] new index should "become [redacted] to [redacted] in the [redacted] and implementation of their global investment strategies".

● The 129th 10-year government bond yesterday traded more actively than the 119th on the Tokyo market. The 119th has been the benchmark bond since December 1989, creating a record, but the 6.4 per cent 129th has been traded heavily in recent days in the expectation that it would become the benchmark bond.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for [redacted] *an adequate secondary market.* *Latest prices at 8:10 pm on February 12*

U.S. DOLLAR STRAIGHTS, DEUTSCHE MARK STRAIGHTS, SWISS FRANC STRAIGHTS, OTHER STRAIGHTS, FLOATING RATE NOTES	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
JAPAN DEV BK 5 1/2 94	100	[redacted]	97⅛		6.83
NEW ZEALAND 4 7/8 99	200	[redacted]	90	+½	6.70
QUEBEC HYDRO 5 08	100	[redacted]	80½	+1	7.05
SKANDINAVISKA ENSK 6 1/2 95	200	98¼		+¼	7.02
WORLD BANK 5 03	150	85¼	85¾	−¼	6.78
WORLD BANK 7 1/4 92	100	100	101		7.20

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	94¼	94½		6.98
CANADA 4 3/8 92	80000	96½	96¾		7.12
CREDIT FONCIER 5 1/4 94	20000	94¼	[redacted]		7.03
DENMARK 7 95	40000	100½	100¾		6.85
EIB 4 5/8 94	40000	93⅜	93⅝	−⅛	6.97
GENERAL ELECTRIC 5 3/4 93	35000	96⅝	97⅛		7.50
INTER AMER DEV 7 1/4 00	30000	103½	103⅞		6.72
ITALY 5 3/4 92	150000	98⅝	98⅞		7.20
KANSAI ELEC PWR 4 5/8 94	60000	93¼	93½		[redacted]
NIPPON TEL & TEL 5 7/8 96	50000	96¼	[redacted]	−⅛	6.72
NORWAY 5 1/8 95	50000	93⅞	[redacted]		6.87
SWEDEN 5 5/8 95	20000	95	95¼		
WORLD BANK 6 3/4 00	50000	100⅝	100⅞		[redacted]

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	[redacted]	111¼	112¾	+16.90
ASDA-MFI 4 3/4 02 £	100	[redacted]	112½	113⅝	[redacted]
BURTON GROUP 4 3/4 01 £	110	[redacted]	110¾	112⅝	
EASTMAN KODAK 6 3/8 01	300	[redacted]	101½	102½	+9.14
GOLD KALGOORLIE 7 1/2 00	65	1.0564	57	58	+39.93
GOODYEAR TIRE 6 7/8 03	150	80¼	59½	61	
GRACE (WR) 6 1/4 02	150	42¼	84	85	+27.51
GRAND MET 6 1/4 02 £	100	6.58	109¼	110¼	+2.98
HAWLEY 6 02 PREF	400	1.91	94	[redacted]	+45.74
HILLSDOWN 4 1/2 02 £	150	4.16	103⅛	104⅛	
INTL PAPER 5 3/4 02	200	68½	99¾	100¾	+9.55
LAND SECS 6 3/4 02 £	84	6.72	[redacted]	[redacted]	+9.44
MITSUBISHI BK 1 3/4 02	300	2727.1	107	109	+2.65
OGDEN 6 02	85	39.077	74	75	+27.11
PACIFIC DUNLOP 6 3/4 97	75	3.749	110	111	+3.84
TEXAS INSTRUMENTS [redacted]	300	62¾	82¼	83¼	+59.49
THORN EMI 5 3/4 04 £	103	7.45	107½	108¾	[redacted]

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: [redacted] in dollars unless otherwise indicated. Coupon [redacted] Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency [redacted] share [redacted] conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the [redacted] the shares.

INTERNATIONAL CAPITAL MARKETS

Zero-coupon issues attract attention

DEUTSCHE BANK and Swiss Bank Corporation yesterday raised about £180m from [illegible] coupon bond issues, focusing attention on this under-devel[illegible] area [illegible] the sterling bond market, writes Simon London.

Deutsche Bank launched its deal early in the day, priced at 36.50 with a face value of £200m, later increased [illegible] £250m, lead-managed by Deutsche Bank Capital Markets.

Swiss Bank Corporation followed with a similar deal, also of 10-year maturity but priced five basis points higher.

Before yesterday's deals, there were 12 sterling zero-co[illegible] issues outstanding [illegible] the international bondmarket.

The [illegible] to this latest paper may prompt further issues, although the £450m nominal of bonds issued yesterday [illegible] time to [illegible] fully absorbed and zero-coupon swaps opportunities for borrowers are few.

The zero-coupon structure offers investors "geared" exposure to the sterling bond market. For [illegible] outlay of [illegible] investors gain £100 exposure [illegible] market, when [illegible] are widely expected to fall, pushing bond prices higher.

The cash flow receivable by an investor from [illegible] zero-coupon bond is entirely at the maturity date. Hence [illegible] life of the bond is comparable to [illegible] longer-dated bond [illegible] which pays [illegible] coupon throughout its life and [illegible] lump-sum at maturity.

Lively sessions continue with flurry of paper

By [illegible] London

A FLURRY of straight, convertible, equity-linked and zero-coupon bond issues yesterday continued [illegible] lively [illegible] in [illegible] international [illegible].

[illegible] Brands, [illegible] US consumer products [illegible], made its fourth Euro-convert[illegible] bond issue [illegible], offering $150m [illegible] Morgan Stanley.

Priced [illegible] par, [illegible] 10-year [illegible] coupon of [illegible] per cent and the right to con[illegible]

INTERNATIONAL BONDS

[illegible] into American Brands ordinary shares at $43.25, a premium of 23 per cent above the pre-announcement [illegible].

The issue met firm demand, trading [illegible] to [illegible] bid, against full fees of [illegible] per cent.

KFW International Finance, the funding subsidiary of the German state lending institution, came with a C$150m deal lead-managed by IBJ, later increased to C$200m. The borrower is majority owned by the German government [illegible] its debt is not guaranteed by the state.

[illegible] was priced [illegible] points over [illegible] parable [illegible] government [illegible] spread [illegible] the background of a falling [illegible] bond market. By [illegible] afternoon, they [illegible] bid, against [illegible] reoffer price of 99.43.

In contrast, Hydro-Quebec's [illegible] by Merrill Lynch [illegible] was yesterday priced at [illegible] yield spread of 108 basis points above Canadian government [illegible]. The pricing [illegible] by some in the market, but [illegible] the fixed reoffer price of 99.415.

Crédit Local de France and National Westminster both tapped [illegible] Australian dollar [illegible] but [illegible] contrasting deals. Crédit Local came with a zero-coupon deal, issuing bonds with a nominal value of A$200m and priced at 46 per cent of face value. The lead [illegible] Hambros, [illegible] said that interest was concentrated among institutions.

[illegible] with a A$100m three-year issue, carrying a coupon of 12¼ per cent, targeted at [illegible]pean retail investors. The lead [illegible] was NatWest Capital [illegible] which [illegible] deal was trading at [illegible] bid, a discount equivalent to full fees.

The [illegible] Bank initially offered £100m of [illegible] fungible with [illegible] standing 10 [illegible] issue, maturing 1997. However, [illegible] deal was cut back to [illegible]

Joint £55m placing by five trusts cuts costs

By Tracy Corrigan

KLEINWORT BENSON [illegible] structured a £55m placement of [illegible] in the sterling domestic market, a joint financing [illegible] investment trusts through [illegible] vehicle company.

Investment trusts are closed-end funds, so they generally seek long-term funding in the [illegible] market, which allows them to gear up and improve their performance against other funds.

Mr John St John, [illegible] corporate finance manager at Kleinwort, estimates [illegible] the five [illegible] have [illegible] savings [illegible] about 20 basis points by issuing jointly. The 11½ per cent 25-year debentures were priced to yield 170 basis points more than the [illegible] per cent gilt due [illegible].

The five trusts are Drayton [illegible] Trust, Murray [illegible] Markets, [illegible] Trust of Scotland, TR Property and Dunedin Worldwide Investment.

[illegible] the [illegible] such open-ended financing, according to Mr St John. More [illegible] ment trusts can be added to the structure, providing further cost savings.

The [illegible] was set up [illegible] November 1989, and the financ[illegible] for [illegible] early [illegible] to [illegible] postponed due to market conditions.

NSW sets stamp duty ball rolling

STAMP duty on share transactions is likely to be abolished throughout Australia after yesterday's [illegible] that [illegible] government of [illegible] South [illegible] (NSW) [illegible] abolishing it unilaterally, [illegible] Kevin Brown in Sydney.

[illegible] duty of 0.6 per [illegible] the value of trades is a main [illegible] of revenue for the states, [illegible] not levy income taxes. Stamp duties were worth [illegible] A$140m (US$108m) to NSW last year.

Other states had expected the issue to be discussed with the federal government, which they hoped [illegible] agree to compensate them for dropping the tax in the national interest.

Unhappy new year greets NASD

Patrick Harverson on setbacks thwarting the ambitious association

LAST week, the [illegible] Association of Securities Dealers (NASD) announced plans to redesign Portal, its trading system for the [illegible] market in privately-placed securities.

Two weeks earlier, the NASD had [illegible] forced to postpone the long-awaited opening [illegible] its London trading facility, [illegible] International. The two events made an unhappy [illegible] to 1991 for the highly ambitious association.

[illegible] of [illegible] International's London [illegible] was probably the greater disappointment. The NASD's plan to extend [illegible] trading of American [illegible] into [illegible] European time zone represented [illegible] in [illegible] with rival US [illegible] exchanges – [illegible] notably [illegible] and American SEs – to become the international market for investors in US stocks.

When [illegible] postponed [illegible] January 17 opening it cited the uncertainties generated by the Gulf war as the prime reason.

However, a reluctance on the part of the Securities and [illegible] the [illegible] which [illegible] the regulation [illegible] US markets, to let

INTERNATIONAL EQUITY ISSUES

the NASD launch [illegible] tional service on its own [illegible] played [illegible] larger part in frustrating the NASD's ambitions.

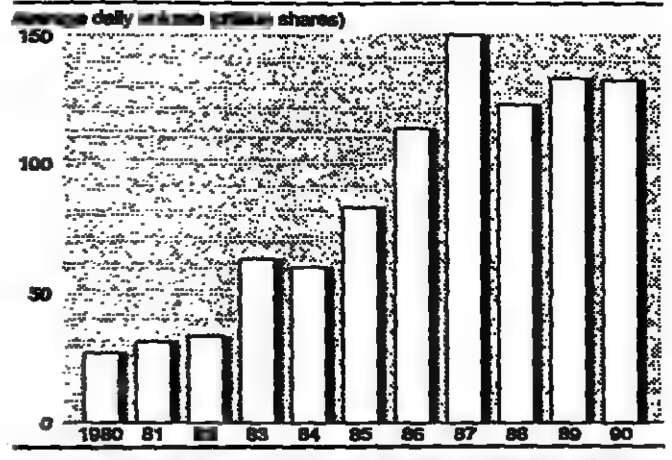
The NASD and the SEC differ over the question of which transaction-reporting standards should be applied to marketmakers on Nasdaq International. [illegible] NASD [illegible] British [illegible]dards to apply, which would mean marketmakers would not have to report transactions until [illegible] end [illegible] trading day [illegible] day after. These standards are applied to users of Seaq International, [illegible] Nasdaq International's main rival in Europe.

The SEC, however, wants marketmakers to comply with US standards, under [illegible] they [illegible] have to report every transaction within 90 seconds of the trade.

Faced with the choice [illegible] reporting within 90 seconds or [illegible] day, marketmakers will choose the latter, because this allows them to keep details of

NASDAQ

[illegible] daily [illegible] shares)



[illegible] activity [illegible] competitors [illegible] longer. That means they will choose Seaq.

The disparity in reporting standards could kill Nasdaq International at birth, believes Mr Lynton Jones, managing [illegible] opera-tion: "If Nasdaq International is going to have any chance of succeeding here, [illegible] has to operate under London rules."

To [illegible] the [illegible], the NASD has asked the SEC to allow a pilot period of six to [illegible] months in which London stan[illegible] will apply. [illegible] NASD hopes this will give it time to show [illegible] applying different reporting standards [illegible] create problems in the US.

Mr Joseph Hardiman, president of the NA[illegible], is quietly confid[illegible] th[illegible] SEC will agree to a pilot period. He believes the SEC is delaying its approval [illegible] it has not confronted [illegible] of problem before. He s[illegible] "There [illegible] a novel [illegible] at [illegible] it is the first time a [illegible] market has tried to export a [illegible] a different environment. The big question [illegible] dards you apply, those of the [illegible] operator."

[illegible] the [illegible] is adopting [illegible] approach to its delayed international plans. The sums invested in Nasdaq International [illegible] small and there is no hurry to set [illegible] date for the opening.

Even if approval from the SEC is forthcoming, competing [illegible] Seaq will not [illegible] says Mr Lynton Jones. "It will be slow to take off, and there is a distinct possibility that we will not be able to build it up. If it does not work after a year, we may have to close it down."

An alternative is being considered if SEC approval is denied: incorporating Nasdaq, the NASD's US electronic market, in London and operating it direct from there under the regulation of the UK authorities. At the moment, such a plan has not reached the drawing board, but it is illustrative of the scale of the NASD's ambitions that it would consider setting up in London.

As for Portal, the decision to restructure it came as no surprise. NASD launched the system last summer in response to the SEC's Rule 144a, which had been designed to promote trading in the US private placement market. Yet, so far, Portal has not generated enough interest to justify its existence.

Mr Hardiman attributes the shortage of business for Portal to three factors: the lack of private equity placements since its formation, the fact that 144a has not been used actively by [illegible] markets in the private placement sector, [illegible] preference of [illegible] buyers for an open trading system.

The NASD has rapidly redesigned the system. Hence the three key changes announced on February 5: prequalification by the NASD of institutional buyers, segregation of accounts for Portal securities and settlement of transactions solely through the Portal depository and clearance systems, will be ended.

These changes, which also await SEC approval, will transform Portal from [illegible] closed system with narrow participation [illegible] information and trading system. But why did [illegible] not realise [illegible] launching Portal that the system would be unsuited to the market it was aimed at?

Mr Hardiman explains: "We worked closely with the SEC on Portal and assumed that 144a as released would limit transactions to closed systems. That limitation was never imposed. We also thought the market would prefer a closed system. We were wrong."

Mr Hardiman is trying to establish the NASD alongside the better-known auction markets – the New York Stock Exchange and the American Stock Exchange – which are planning rival systems.

In spite of the problems with Nasdaq International and Portal, Mr Hardiman is satisfied with the NASD progress in the past year. In 1990, the volume of shares on Nasdaq averaged 84 per cent of NYSE volume, the highest percen[illegible] ever – although the [illegible] price on Nasdaq [illegible] lower, [illegible] in 1990 [illegible] the NYSE. Nasdaq's daily [illegible] volume [illegible] that of the [illegible] 27 days [illegible], another record, and the most actively [illegible] stock [illegible] the year, MCI Communications, is [illegible] on Nasdaq.

[illegible] the automation of the "pink sheet" [illegible] – [illegible] of penny stocks [illegible] – and [illegible] reduction [illegible] penny stock frauds. Mr Hardiman [illegible] the inclusion of a Nasdaq stock, Roadway Services, in the Dow J[illegible] Transportation Average was an "important milestone in the history of the market and a strong endorsement from Dow Jones".

He is also delighted with the recent performance of Nasdaq stocks, with the main indices regularly outperforming their counterparts on the NYSE and ASE. He puts this down to Nasdaq listing a greater proportion of small, fast-growth stocks.

Mr Hardiman thinks a fundamental change in investment trends may be under way. "The stocks of small to medium-sized companies in the post-war period traditionally outperformed the big [illegible]nies. Then they didn't [illegible] 1983 and [illegible]. Now, perhaps, [illegible] is returning."

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	[illegible]	[illegible]	[illegible]	Book runner
US DOLLARS						
Familymart Co.(a)♦	200	4½	100	[illegible]	2¼/1½	Nomura Int.
American Brands Inc.(b)§♦	[illegible]	7⅞	[illegible]	[illegible]	2½/1½	Morgan Stanley Int.
Autobacs Seven Co.(a)♦	[illegible]	4½	[illegible]	[illegible]	2¼/1½	[illegible] Int.
Sanyo Electric Rlwy.(a)♦	[illegible]	4⅞	[illegible]	1995	2¼/1½	[illegible]
STERLING						
Deutsche Bk Fin.NV(c)♦	250	zero	[illegible]	[illegible]	16/10bp	[illegible] Bk Cap.Mkts.
SBC Fin.(Cayman Is.)(d)♦	200	zero	[illegible]	[illegible]	15/10bp	[illegible]
EIB(f)♦	98½	[illegible]	[illegible]	1997	-	[illegible] Cap.Mkts.
CANADIAN DOLLARS						
[illegible]	300	10⅝	101.04	2001	2/1⅝	[illegible] Lynch Int.
KFW [illegible]	200	[illegible]	99.43	2001	2/⅛	[illegible] Int.
AUSTRALIAN DOLLARS						
[illegible] de France(a)♦	[illegible]	[illegible]	[illegible]	[illegible]	1⅜/⅞	Hambros Bank
NatWest Australia(a)♦	100	12¼	101⅞	[illegible]	1½/1	[illegible] Cap.Mkts.
PESETAS						
World Bank(a)♦	15bn	13⅝	101⅝	[illegible]	1⅝/1	Banco Bilbao Vizcaya
SWISS FRANCS						
SNCF(a)♦	[illegible]	6⅞	[illegible]	2006	-	Credit Suisse
IBM Int.Finance(a)★★♦	[illegible]	7⅛	[illegible]	1994	-	Credit Suisse
Tele.L.M. Ericsson(g)★★♦	75	7⅞	101⅝	[illegible]	-	Credit Sui[illegible]

★★Private placement. §Convertible. ♦With equity warrants. †Floating rate note. ♦Final terms. a) Non-callable. b) Callable from 5/3/94 at issue price plus coupon. Conversion premium fixed at 22.98%. c) Fixed price reoffer - 36.50%. Non-callable. d) Fixed price reoffer - 36.55%. Non-callable. e) Callable 14/3/2000 at 101% declining ¼% annually, thereafter. f) Fungible with existing 10% bond due 1997. Fixed price reoffer - 98¼%. g) Full name of borrower - Telefonaktiebolaget L.M. Ericsson. Non-callable.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of [illegible]	Tuesday February 12 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 [illegible]	Mon Feb 11 Index No.	Fri Feb 8 Index No.	Thu Feb 7 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (187)	760.13	-0.2	14.06	6.32	8.66	0.67	761.78	745.11	740.67	[illegible]
2	Building Materials (25)	1051.57	......	13.65	5.81	9.02	0.45	1051.98	1026.71	1027.79	1071.92
3	Contracting, [illegible] (31)	1174.82	-0.1	15.29	6.70	8.49	1.46	1176.47	1147.40	1140.99	1487.20
4	Electricals (10)	2073.63	+0.7	13.50	6.43	9.06	0.80	2058.27	1996.65	1966.49	2498.46
5	Electronics (25)	1644.17	-0.2	9.70	5.44	13.75	1.10	1647.90	1629.11	1611.26	1920.54
6	Engineering-Aerospace (8)	400.99	-1.3	16.73	6.09	7.18	0.86	406.12	397.80	389.03	434.09
7	Engineering-General (47)	372.40	+0.9	15.65	6.89	7.70	1.15	369.11	362.02	360.23	466.55
8	Metals and Metal Forming (8)	420.87	-0.9	21.68	8.18	5.69	0.00	424.48	416.67	412.36	467.64
9	Motors (13)	297.45	-0.6	16.74	8.09	6.96	0.00	299.27	290.42	287.88	364.62
10	Other Industrial Materials (20)	1341.06	-0.5	12.57	6.05	9.20	0.71	1347.47	1315.50	1313.12	1565.31
21	CONSUMER GROUP (182)	1287.72	-0.4	9.41	4.04	13.20	2.72	1292.60	1273.01	1271.97	1248.25
22	Brewers and Distillers (22)	1630.77	-0.2	9.97	3.81	12.36	7.47	1633.90	1612.60	1615.32	1454.37
25	Food Manufacturing (20)	1089.51	-0.3	10.56	4.41	11.67	1.66	1093.30	1073.95	1075.08	1090.39
26	Food Retailing (16)	2463.50	-0.6	8.60	3.16	15.22	3.15	2477.42	2454.15	2452.26	2263.94
27	Health and Household (21)	2777.95	+0.5	6.46	2.76	18.36	0.47	2764.80	2721.37	2721.45	2427.68
29	Hotels and Leisure (22)	1177.16	......	11.74	5.82	10.08	0.86	1177.60	1161.64	1164.82	1578.70
30	Media (25)	1252.56	-0.3	11.66	5.43	10.83	7.81	1256.23	1238.57	1252.30	0.00
31	Packaging & Paper (11)	551.57	+0.6	9.54	6.23	12.85	0.30	548.44	535.17	531.48	572.68
34	Stores (34)	826.45	-2.2	10.28	4.42	12.66	1.67	845.46	829.46	818.48	780.06
35	Textiles (11)	420.51	+0.4	13.67	8.36	9.38	0.50	419.01	412.13	407.74	505.31
40	OTHER GROUPS (111)	1075.83	-0.3	11.99	5.57	10.09	2.51	1078.90	1066.42	1065.87	1173.87
41	Business Services (12)	960.10	+2.5	13.02	5.62	9.34	0.00	936.32	930.10	933.23	0.00
42	Chemicals (21)	1150.68	+0.3	12.36	6.20	9.55	0.63	1146.99	1136.18	1130.03	1200.06
43	Conglomerates (11)	1409.60	-1.0	12.18	7.31	9.79	6.83	1423.27	1382.77	1373.50	1599.24
44	Transport (15)	1910.34	+0.9	13.66	5.32	9.02	1.78	1894.17	1856.39	1862.82	2248.60
45	Electricity (12)	1128.33	-0.4	10.93	6.24	11.04	0.00	1132.94	1119.94	1133.05	0.00
46	Telephone Networks (3)	1208.67	-0.8	11.07	4.18	11.75	0.00	1218.26	1212.73	1205.00	1243.81
47	Water (10)	[illegible]	-1.5	13.98	5.78	7.99	39.69	2463.27	2440.25	2470.25	1997.14
48	Miscellaneous (27)	1693.91	-0.1	11.13	5.35	10.46	1.22	1695.38	1684.34	1691.12	1872.78
49	INDUSTRIAL GROUP (480)	1094.37	-0.3	11.18	4.99	10.95	2.11	1097.83	1080.94	1079.03	1145.37
51	Oil & Gas (20)	2268.68	-0.4	9.86	5.62	13.25	7.42	2278.09	2256.91	2272.89	2411.65
59	500 SHARE INDEX (500)	1192.42	-0.3	10.99	5.08	11.23	2.52	1196.36	1178.97	1178.36	1250.38
61	FINANCIAL GROUP (98)	762.26	-0.8	-	6.25	-	1.00	768.06	753.87	749.16	822.47
62	Banks (9)	831.53	-1.5	19.16	6.99	6.83	1.61	843.77	834.50	820.34	862.64
65	Insurance (Life) (7)	1377.12	-0.2	-	5.58	-	0.00	1380.38	1346.54	1362.24	1379.96
66	Insurance (Composite) (6)	658.68	-1.0	-	6.49	-	0.00	665.61	644.73	646.36	698.40
67	Insurance (Brokers) (8)	1031.54	-0.6	7.17	6.25	18.27	2.15	1037.78	1015.16	1010.25	1106.42
68	Merchant Banks (7)	383.70	+2.4	-	5.32	-	0.00	374.71	366.93	365.34	496.32
69	Property (41)	990.75	-0.5	6.70	4.75	20.45	0.90	995.60	979.62	975.70	1150.87
70	Other Financial (20)	257.03	+1.6	9.77	6.96	12.92	1.60	253.07	247.54	246.26	329.93
71	Investment Trusts (69)	1046.68	+0.3	-	3.86	-	1.24	1043.63	1019.81	1021.71	1211.84
99	ALL-SHARE INDEX (667)	1[illegible].46	-0.4	-	5.21	-	2.14	1089.53	1072.83	1071.46	[illegible]

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 11	Feb 8	Feb 7	Feb 6	Feb 5	Year ago
FT-SE 100 SHARE INDEX♦	2264.5	-14.5	2308.9	2260.2	2279.0	2245.2	2243.7	2194.8	2202.8	2293.2

FIXED INTEREST

	PRICE INDICES	Tue Feb 12	Day's change %	Mon Feb 11	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	120.41	-0.07	120.50	1.90	1.23
2	5-15 years (31)	131.82	+0.08	131.72	1.86	1.94
3	Over 15 years (8)	140.96	+0.16	140.74	3.04	0.44
4	Irredeemables (6)	155.18	+0.06	155.09	2.97	0.00
5	All stocks (73)	130.61	+0.04	130.56	2.00	1.57
	Index-Linked					
6	Up to 5 years (2)	158.72	+0.13	158.52	1.11	0.00
7	Over 5 years (10)	143.83	+0.40	143.25	0.52	0.70
8	All stocks (12)	144.83	+0.38	144.29	0.57	0.65
9	Debs & Loans (54)	107.04	+0.08	106.96	2.72	0.68

	AVERAGE GROSS REDEMPTION YIELDS		Tue Feb 12	Mon Feb 11	Year ago (approx.)
	British Government				
1	Low	5 years	9.46	9.49	10.73
2	Coupons	15 years	9.61	9.61	10.34
3	(0%-7¾%)	25 years	9.71	9.70	10.24
4	Medium	5 years	10.28	10.25	11.82
5	Coupons	15 years	9.97	9.99	10.70
6	(8%-10¾%)	25 years	9.88	9.90	10.33
7	High	5 years	10.43	10.41	11.97
8	Coupons	15 years	10.12	10.14	10.90
9	(11%-)	25 years	9.97	10.00	10.46
10	Irredeemables		9.94	9.94	10.32
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.84	3.90	4.49
12	Inflation rate 5%	Over 5 yrs.	4.18	4.21	3.87
13	Inflation rate 10%	Up to 5 yrs.	2.53	2.58	3.62
14	Inflation rate 10%	Over 5 yrs.	4.01	4.04	3.71
15	Debs &	5 years	12.41	12.47	13.49
16	Loans	15 years	12.12	12.14	12.80
17		25 years	11.84	11.84	12.79

♦Opening index 2308.9; 9 am 2289.8; 10 am [illegible]268.0; 11 am 226[illegible] 2263.6; 1 pm [illegible] pm 2261.4; 2.30 pm 2265.4; 3 pm 2266.6; 4.10 pm 2264.8; (a) 8.30am (b) 1.04pm † Flat yield. Highs and [illegible]rd, base dates, values and constituent changes are published in Saturday issues. A list of constituents is [illegible] from the Publishers, The [illegible]cial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes [illegible] of the [illegible] used in the construction [illegible] these indices. [illegible] are available [illegible] subscription from FINSTAT, 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	42	34	10
Corporations, Dominion and Foreign Bonds	4	1	16
Industrials	495	226	835
Financial and Properties	295	66	391
Oils	25	19	48
Plantations	0	2	8
Mines	31	36	98
Others	85	25	32
Totals	977	409	1,438

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
$100	F.P.	-	95	58	[illegible] 10p	58			-	-	-
-	F.P.	-	3825	3550	Eurotunnel Fndr. [illegible]	3600	+25		-	-	-
-	F.P.	-	100	90	JF Pacific (New Wrnts)	100	+10		-	-	-
50	F.P.	-	45	43	Trio Inv 7½	44			-	-	-
-	F.P.	-	9	6	Do. Warrants	7			-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price £	+or-
[illegible]	-		86	68	Brent Walker Capital 13pc Cv Cap 04	78	
[illegible]	P/P	29/11	30p	30p	§Greenacre Group Cv. Rd. Prf. 70p	30p	
[illegible]	-		33½	29½	Greenwood Securities 8pc Cv Ln 2000	33½	+1
100p	F.P.	-	103p	96p	TT Group 10½pc Cnv. Red. Prf. 1997	101p	
100p	F.P.	-	110p	97p	Worcester Cm Rd Cv Pf	101p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price p	+or-
197	Nil	-	45pm	37pm	Tesco 5p	40pm	-1

a Annualised dividend. b Figures based on prospectus estimates. [illegible] Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Offered to holders of ordinary shares as a "rights". ‡ Introduction. ¶ Placing price. ‡‡ Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Feb 4
- Last Dealings Feb 15
- Last Declarations May 16
- For settlement May28

For rate indications see end of London Share Service

Calls in: Cookson, Cowie T., Dares Estates, Midland Bank, Premier Cons., Sedgwick. Puts in: Lex Service, Ratners, Saatchi.

LONDON TRADED OPTIONS

A SURGE [illegible] activity [illegible] index futures [illegible] growing [illegible] yesterday over [illegible] possibility [illegible] an imminent cut in UK interest [illegible]. [illegible] options were [illegible] busier [illegible] some investors used the FT-SE Index to [illegible] profits after the recent strong rise in the stock market.

The [illegible] FT-SE 100 index futures [illegible] began strongly [illegible] rally on Wall [illegible] in the previous [illegible]. But [illegible] hardening [illegible] market [illegible] led [illegible] profit-taking as [illegible] in [illegible] the ability of March FT-[illegible] 2,300.

[illegible] 30-point [illegible] over [illegible] index [illegible] as arbi[illegible] futures and [illegible] stock. Many [illegible] larger institu[illegible] to be uncertain about whether [illegible] market has further [illegible] fall.

[illegible] March's premium expanded to 30-35 points as buyers came [illegible] market just [illegible] close. [illegible] FT-SE closed at 2,299, virtually unchanged [illegible]. March's premium finished at 38 points [illegible] against 26 in the previous [illegible] and fair [illegible] points.

In [illegible] latest Equity [illegible] Phillips & Drew [illegible] that [illegible] 140-point FT-[illegible] index point gain in [illegible] expensive. [illegible] more than 1 [illegible] value and with less than [illegible] until the [illegible] expires, the [illegible] be sold on a short-term basis, UBS [illegible].

[illegible] market was boosted by [illegible] FT-SE Index dealing. The [illegible] turnover was weighted [illegible] calls. James Capel [illegible] 650 March 2,300 calls and bought 300 of the same series. In the Euro FT-SE Barclays de Zoete Wedd remained active, selling 500 February 2,275 puts.

In [illegible] options, British Airways July [illegible] were [illegible] better-than-expected third-quarter [illegible] GEC [illegible] as [illegible] Capel sold 500 February [illegible] calls.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allid Lyons (*504)	460	58	67	77	5½	12	15
	500	31	40	53	13	28	30
	550	9	-	-	[illegible]	-	-
ASDA (*125)	110	20	25	26	2	4	[illegible]
	120	12	18	19	5	7	9½
	130	6	12	15	8½	13	15
Brit. Airways (*142)	130	16	22	23	4	7½	16
	140	12	13	18	10	14	15
	160	3½	[illegible]	-	22	26	-

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Utd. Biscuits (*352)	330	29	37	46	8	10	13
	360	11	20	28	22	25	27
Unilever (*709)	700	35	55	73	27	35	40
	750	13	-	-	60	-	-
Ultramar ([illegible])	300	25	40	45	12	15	17
	330	11	22	30	28	30	33

Option		Calls Mar	Calls May	Calls Aug	Puts Mar	Puts May	Puts Aug
Elec. Pty. (*1825)	1750	140	190	-	[illegible]	60	-
	1800	110	[illegible]	-	60	70	-

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
[illegible] (*63)	60	7	10	14	3	7	9
	70	[illegible]	6	[illegible]	10	12½	15
[illegible]	390	18	29	36	24	30	36
	420	6	-	-	47	-	-
Blue Circle ([illegible])	240	17	24	30	8½	18	22
	260	7½	-	-	20	-	-
British Gas ([illegible])	240	14½	25	[illegible]	[illegible]	7½	12
	260	5	12	15	16	18	23
Dixons ([illegible])	140	22	[illegible]	32	2½	[illegible]	7
	160	9	16	20	9	12	[illegible]

[illegible]

هكذا من الأخبار

Saatchi refinancing to be finalised within next week

By Alice Rawsthorn

SAATCHI & SAATCHI, the troubled advertising group, has been told by KPMG Peat Marwick McLintock, its auditors, that its forthcoming [illegible] will be qualified unless the proposed refinancing is completed.

Saatchi, which is burdened by heavy debts and liabilities, is now in the final [illegible] of negotiating new proposals for recapitalisation with its investors. These proposals should be finalised within the next [illegible].

The new package will be submitted to shareholders for approval – which [illegible] is confident of securing – at extraordinary general meetings [illegible] month.

This means that it would have completed the refinancing before [illegible] the [illegible] to September 30 are published so they will not have to be qualified.

It is standard practise for auditors to qualify the [illegible] of companies that are in the throes of refinancing programmes. Saatchi, [illegible] by SG Warburg, the London merchant bank, has for the past three [illegible] in [illegible] cussions with its [illegible] to thrash out new proposals for refinancing. The first proposals were fiercely criticised when they appeared in January.

The two sides have agreed to replace the original plan of swapping Saatchi's existing preference shares for a combination of new ordinary and preference [illegible] in favour of an all-ordinary share package.

However, they are [illegible] discussing what proportion of the enlarged equity will be allocated to the different [illegible] of [illegible]. They have also yet to finalise plans for a [illegible] to replace a proposed £20m bridge fund provided by Donaldson Lufkin Jenrette, [illegible] advisers.

The [illegible] ford International, [illegible] and property [illegible] were qualified by its [illegible] agreed a £1.2bn refinancing package with its [illegible] in September just [illegible] the end of its financial year [illegible] that agreement expires in [illegible].

[illegible] were also qualified [illegible] it [illegible] in the [illegible] ing [illegible] the acquisition of Gateway, the food retailing group, in a leveraged buy-out.

Land sale helps Manchester Ship Canal surge to £20.7m

By Maggie Urry

A SHARP increase in profits and a return to the [illegible] was announced yesterday by Manchester Ship Canal, which operates the [illegible] mile canal from Manchester to Ellesmere Port and owns property along its banks.

In 1990, pre-tax profits more than quadrupled to £20.7m (£5m) although turnover was barely changed at £19.8m. Profits were buoyed by an exceptional £11.9m (£2.3m) on the sale of land and lower redundancy costs of £758,000 (£4.9m).

The dividend for the year is a proposed 4.5p – the last payment was in 1987. The group's shares rose 50p to £17.50.

Mr Robert Hough, chairman, said that prospects for 1991 were "satisfactory" and the group was well placed in the longer term because of its strong financial position and the qualities of its port and property operations.

Manchester Ship Canal, the subject of a long-running takeover battle starting in 1986, is controlled by Greathey Investments, a private company owned by Mr John Whittaker, who is also chairman of Peel Holdings.

[illegible] said it was in talks which could result in an offer to minority shareholders. Yesterday, Mr Hough said that the talks "were still to be concluded".

Operating profits from the canal's port operations [illegible] £4.3m, [illegible] Upper Canal [illegible] by [illegible] per cent to £1.7m.

[illegible] from property activities rose by [illegible] per cent to [illegible] of interest charges [illegible] down to £744,000 (£1.2m). Earnings per share, including the exceptional profits, were 387.7p (90.7p).

The [illegible] was hit by a [illegible] revaluation of the group's property, cutting [illegible] property values to [illegible] and reducing shareholders' funds by [illegible] to £124.2m. That gives a net asset value of £15.92p per share.

More receiverships at Courtney Pope

By Jane Fuller

COURTNEY POPE (Holdings), the shop-fitting and engineering group which has already put its lighting division into receivership, is [illegible] other subsidiaries down the same path.

The news that receivers were to be appointed at Quickwood, a [illegible], and [illegible] specialist contractors accompanied the disclosure of a £3.5m pre-tax loss in the [illegible] to November 30. Sales fell to £32.37m (£34.56m). The shares fell [illegible] at 13p.

Mr Ronnie Aitken, appointed chairman in October, said Quickwood was in a contractual dispute which involved it claiming £1.2m, while there was a [illegible] for £4m. It was unlikely to recover anything in the short term and had other uncollectible debts.

Business had also declined, so the main board decided the subsidiary should go into receivership. The two others, Sageline and Sage Brent, would [illegible] suit because of [illegible] the companies.

The continuing businesses, notably Versatile Fittings and Potrafke which provide shopfittings and check-out systems, [illegible] a profit of [illegible] before exceptional and extraordinary costs of £730,000. Annual turnover would [illegible] to about [illegible], said Mr Aitken.

Losses after tax and extraordinary [illegible] at the discontinued businesses amounted to [illegible].

Bank borrowings had [illegible] in September. The bulk of [illegible] to the companies in, or destined for, receivership.

There is no interim dividend. Last year it was 3.5p.

Asil Nadir associate to be quizzed on Swiss share deals

By William Dullforce in Geneva and Clay Harris in London

MR JASON Davies, a business associate of Mr Asil Nadir, chairman of Polly Peck International, will be interviewed by a Swiss magistrate today in Lausanne on behalf of the Serious Fraud Office.

The SFO is seeking information from Mr Davies about alleged [illegible] in Polly Peck shares through [illegible] nominee [illegible].

Mr Davies is a former director of South Audley Management, the private company which managed Nadir family investments and was raided by the SFO on September 19. He is now manager of Swiss-based Nadir Investments.

Polly Peck, the fruit trading, electronics and leisure group, collapsed last autumn in the [illegible] of an investigation into its affairs and those of Mr Nadir.

Mr Jacques Antenen, the examining magistrate, will ask questions on behalf of the SFO. Its request for [illegible] judicial assistance has been passed by the federal justice ministry in Berne and approved by authorities in the canton of Vaud.

Mr Davies, 27, a former London stockbroker, now lives in the village of Founex, just outside Geneva. He offered to give testimony to the SFO last November, after his name had been mentioned in connection with [illegible].

Mr Douglas Hornung, Mr Davies' lawyer in Geneva, said then that his client had been deeply hurt by articles in the press on the role which he was supposed to have played in the Polly Peck affair and which he denied completely.

Mr Hornung, who will be present at today's closed hearing, said the examining magistrate would "collect" answers to the SFO's written questions and return the answers to London.

In December, Mr Davies was interviewed in Switzerland by representatives of one of Polly Peck's administrators, Mr Christopher Morris of Touche Ross.

Mrs Elizabeth Forysth, another associate of Mr Nadir and former South Audley director, was questioned by the SFO last month in London.

Both the SFO and Mr Rodney Hylton-Potts, Mr Davies' London solicitor, refused to comment yesterday.

Margins hit as house prices are cut in order to maintain sales

Bryant declines 36% to £9.3m

By Andrew Taylor, Construction Correspondent

BRYANT GROUP, the housebuilder, contractor and property developer, said yesterday that the hoped-for recovery in British house sales at the start of this year had failed to materialise.

Mr Andrew MacKenzie, managing director, said that in spite of selling a third more houses pre-tax profits for the six months to end-November had fallen by 36 per cent from £14.7m to £9.3m.

He said margins had been hit as the group reduced prices to maintain sales.

The average price of a house during the six months had been £91,000 compared with £106,000 a year earlier.

Mr MacKenzie added that there was still no sign of the market recovering following last autumn's reduction in interest rates. House sales in January had been no higher than at the same stage last year.

He said: "The market will not start to recover until interest rates come down by another two percentage points. Even then it will take another three to six months after rates come down to bring down to a realistic level the large amount of unsold properties currently on the market."

Earnings per share during the first half fell from 4.5p to 2.8p. Two thirds of group profits came from house sales in southern and central England. It is currently buying its first sites in Yorkshire.

The interim dividend is a same-again 1.4p, in line with forecasts made last October when the group raised [illegible] from a 1-for-4 rights issue.

Bryant planned to spend the money on improving its landbank. According to Mr MacKenzie this has proved easier said than done, with very few suitable sites coming on to the market in spite of the recession.

In the meantime, Bryant reduced its gearing from a peak of more than 30 per cent to less than 3 per cent. Borrowings have been cut from about £50m to £5m.

The group said commercial property sales had held up in a difficult market raising £7m in the first half compared with £10m at the corresponding stage in 1989-90.

Contracting turnover and margins were also running at similar levels to the previous financial year.

● COMMENT

Bryant's cautionary remarks about the outlook for the UK housing market will make bleak reading for investors in more highly geared housebuilders. Most builders accept that a recovery in the market is unlikely to occur until towards the end of the year. The Gulf War, the recession and fears of job losses will continue to undermine confidence even when interest rates fall. Bryant, however, should fare better than many. Its balance sheet is in fine shape and interest charges will be reduced thanks to the rights issue. The group also appears to have brought some of the pain forward leaving more flexibility for a second half improvement when it traditionally makes more profit. In the absence of further provisions profits should be about £22m compared with £20.1m. The shares, however, have had a good run and a prospective p/e of 17 indicates that the expected improvement is already in the price.

Budgens profits drop to £0.5m

By John Thornhill

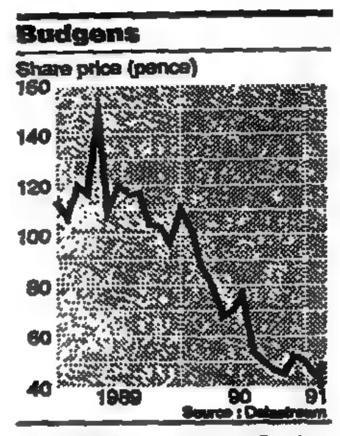
BUDGENS, the food retailer which runs a chain of [illegible] neighbourhood stores, saw a sharp slump in interim pre-tax profits as the cost and disruption of setting up a new distribution centre eroded margins.

Moreover, the company warned that the trading environment had deteriorated since Christmas and that full-year results were likely to fall short of earlier expectations.

Directors, therefore, decided to pass the interim dividend – 2p was paid last time – but said they intended to pay one for the full year.

In the [illegible] weeks to November 10, pre-tax profits amounted to £505,000, compared with £4.71m, excluding property profits, in the previous period.

The disposal last year of 56 stores contributed to a decline in turnover from [illegible] to £143.53m. However, sales from stores trading during both periods rose by 11.5 per cent, of which price inflation accounted for 4.5 per cent.



Mr John Fletcher, chairman, said the move to the new distribution centre at Wellingborough had gone very well and that costs were still being taken out of the business; last week the company shed [illegible] temporary staff.

Since May, Budgens has opened three new stores and refurbished another four, but claims that the "very tight" property market has curtailed plans to raise cash from sale and lease-back deals.

"We are just not prepared to accept yields of over 10 per cent at the moment," Mr Fletcher said.

Interest charges rose to [illegible] (£1.87m) although this included £386,000 (£419,000) of capitalised interest.

Borrowings at half-way were £34m – giving a gearing of 80 per cent – although they are expected to fall to £31m by the year end following a reduction in working capital.

Earnings per share dived from 8.71p to 0.4p.

● COMMENT

Since the collapse of the takeover bid from William Low almost two years ago, Budgens has been trying to carve out a niche for itself as a neighbourhood grocery chain. Whatever the attractions of the concept – and it has its detractors – the company has been unable to back its development as much as it would have liked because of distribution disruptions, high borrowings, and now, it seems, an inability to progress with its sale and leaseback programme.

All this has prolonged the company's attempts to get back on an even keel and in order to do so it may first have to bolster its balance sheet, although it is difficult to see precisely how.

Pre-tax profits this year may only limp ahead to £1.5m giving a fairly meaning less prospective p/e of 30.

The shares, down by 6p yesterday to 40p, look as though they will drift further, although Sir Ron Brierley who has nudged his shareholding up to 17.5 per cent and the promised final dividend will provide some kind of floor.

Bank of Ireland appoints new chief executive

By Kieran Cooke in Dublin

Bank of Ireland, the Republic's second largest banking institution, has appointed Mr Patrick Molloy as its new group chief executive.

Mr Molloy, 53, has been with Bank of Ireland for more than 30 years. He succeeds Mr Mark Hely Hutchinson, who resigned last November following the announcement of a plunge in profits to I£15.8m (I£93.5m) in the six months to September 30. Mr Molloy now faces an uphill task in trying to restore the bank's fortunes. It has been badly hit by losses at First New Hampshire Banks in the US, bought for I£230m in mid-1988. It also faces mounting losses in its UK operations. Earlier this year it announced it was to cut back on its credit finance operations in the UK.

When the bank was restructured into four divisions in 1988 Mr Molloy became head of Irish retail operations, with his territory increased last year to include Great Britain.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Amstrad	int	0.4	Apr 17	0.4	-	[illegible]
Armitage Bros	int	2.5	Apr 17	2.4	-	[illegible]
Beckenham	fin	1.5†	-	1.5	3	3
Bryant	int	1.4†	May 8	1.4	-	4.5
Budgens	int	nil	-	2	-	5
Courtney Pope	int	nil	-	3.75	-	3.75
Dickie (James)	fin	nil	-	nil	†.013	nil
Dudley Jenkins §	int	1.3	Apr 5	1.2	-	3.8
Fleming O'seas	int	1.5	Mar 20	1.5	-	4
HunterPrint	fin	nil	-	nil	nil	3
Leslie Wise	fin	2.25†	Apr 13	2	4	3.5
M'chester Ship	fin	4.5	-	nil	4.5	nil
Reuters	fin	10.6	May 1	9.4	15	13
Tyndall Hldgs	fin	nil	-	3	nil	5.5
Union Square	int	nil	-	0.4	-	0.8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

UK COMPANY NEWS

Further cutbacks [redacted] HunterPrint's losses top £18m

By Jane Fuller

HUNTERPRINT Group, the printing company rescued late last year by a new management team and [redacted] £13.6m share issue, incurred a pre-tax loss [redacted] £18.6m in the 12 months to September 30.

This followed a loss of £2.2m in the previous year when an interim dividend [redacted] was paid. That was the last dividend payment made by the company, which is now [redacted] by Sir Ian MacGregor, former chairman of British Steel [redacted] the National Coal Board.

[redacted] fell from £85.4m [redacted] £62.1m, reflecting the exclusion of the financial printing division, which has been sold off. Operating losses increased from £1.5m to £11.9m and inter[redacted] payments totalled [redacted] compared with a small income.

The group's problems date back [redacted] £34m project, hatched in 1988, to build [redacted] new prin[redacted] for its magazine and catalogue division at Corby, involving the [redacted] of [redacted] duction from two [redacted].

Sir Ian said changes [redacted] still taking place because manufacturing for the special prod[redacted] (direct mail and inserts) [redacted] being moved [redacted] Corby, involving the closure of another factory.

Between September and January the [redacted] workforce was [redacted] from [redacted] to 608. The Corb[redacted] factory, which accounted for most of last year's £9.7m operating los[redacted] continuing businesses, was now working [redacted] thirds of its capacity.

Mr Jonathan Stuart, finance director, said last December's £13.6m share issue had wiped out [redacted] year-end bank debt. But a further £4m borrowings [redacted] incurred to [redacted]. Shareholders' funds after the issue stood at £8m, giving gearing of [redacted] per cent, but when leasing obligations are included gearing rises to more than [redacted] per [redacted].

Sir Ian said interest payments had been considerably reduced. "The group should make [redacted] profit after interest on a monthly [redacted] time this year."

The savings [redacted] in labour and other production [redacted] would add up to £2m in a full [redacted] he said.

About [redacted] per [redacted] of [redacted] from the magazine [redacted] catalogue division, [redacted] rest [redacted] between special products and Hardy Business Forms.

Exceptional [redacted] £2.8m; extraordinary [redacted] came [redacted] £7.2m.

The [redacted] per [redacted] was 92.18p [redacted].

■ COMMENT

While [redacted] management has set about cutting [redacted] with skill and alacrity, other parts of the profit-restoration equation may [redacted] less tractable. Although the balance sheet has been revived, inter[redacted] payments may still approach £3m this year, adding to the mountain to climb in overhauling £9.7m of operating losses. To build [redacted] revenue, HunterPrint will have [redacted] increase [redacted] share of [redacted] depressed market. Print prices [redacted] fallen, magazines are closing and competition [redacted] tough. [redacted] customers [redacted] faith that HunterPrint [redacted] going to survive, and the number of estimates given to potential [redacted] is rising. A tenta[redacted] the current year [redacted] pre-tax loss will be cut [redacted] £6m. Sir Ian [redacted] other new [redacted] have bought into the group at 10p [redacted] share. They must believe that they can either [redacted] its independent fortunes or turn the Corby factory into [redacted] position. Those wishing to join them would be doing so on a [redacted].

Alan Harper

Sir Ian MacGregor: changes [redacted] still taking place

Lloyds Chemists buys rival for £5.8m

By David Owen

LLOYDS [redacted] swallowed another smaller rival [redacted] purchase [redacted] Barley [redacted] Holdings for £5.57m.

The deal will [redacted] UK's [redacted] largest chain of retail chemists and drugs[redacted] to more than 600. Barley operates [redacted] chemist [redacted] in the Home Counties.

The transaction [redacted] financed by the [redacted] of 3.08m [redacted] Lloyds shares.

These [redacted] be placed, together with [redacted] further 2.39m shares that [redacted] Warwick[redacted] group is issuing [redacted] cash, with institutional [redacted] other [redacted] by Panmure [redacted] 184p.

This will increase the number [redacted] Lloyds shares outstanding by 11.3 per cent.

The [redacted] closed yesterday [redacted] – down 2p on the day.

Lloyds [redacted] the [redacted] raised [redacted] and above the purchase price would be used to "develop and improve" the [redacted] stores, [redacted] well [redacted] *continue the development programme for existing out*[redacted]

In [redacted] *short term,* [redacted] would be used [redacted] reduce borrowings, which totalled £16.9m [redacted] the June [redacted] year-[redacted]

Lloyds [redacted] that [redacted] would convert [redacted] Barley stores, which [redacted] locations [redacted] had [redacted] previous representation, to operate [redacted] Lloyds [redacted] outlets.

In [redacted] December [redacted] 1989, Barley made pre-tax profits [redacted] £43,000 and had net [redacted] including intangibles, [redacted] £804,000.

The [redacted] Lloyds' [redacted] *acquisition of substance* [redacted] it bought [redacted] & [redacted] bert, [redacted] seventh largest UK [redacted] chain, [redacted] June for £23.2m.

At the group's AGM in November, Mr Allen Lloyd, chairman [redacted] tive, [redacted] total group sales for the July 1 to November [redacted] period [redacted] 29 per cent higher than in 1989 and that [redacted] margins "continue [redacted] improve."

Beckenham weathers industry downturn

By Michiyo Nakamoto

A DECISION to focus on high margin businesses helped the Beckenham Group, which is involved in the manufacture of ductwork systems and specialist distribution, weather the industry downturn and post a 44 per cent rise in pre-tax profits for the year to October 31.

In the face of depressed UK market conditions, the group saw profits rise from £3.9m to £5.6m *from turnover 5.8 per* cent ahead at £84.5m (£79.9m).

Earnings per share on a fully diluted basis slipped to 7.8p (9p). A recommended final dividend of 1.5p makes a same-again 3p total.

Mr Christopher Egleton, chairman, said the group expected to take advantage of [redacted] strong financial position and make further acquisitions both inside and [redacted] its existing operations. Gearing is less than 15 per cent.

The chairman said that the firm results were due *to the company's clear policy of pur*suing high margins rather than volume. Pre-tax profit margins rose from [redacted] per cent to 6.6 [redacted] cent.

The group [redacted] benefited from [redacted] in a late cycle business, while the concern on the part of customers about the financial [redacted] of its smaller competitors had brought it additional business. Bardsey, the hand tool distributor which was acquired for £14m in January *1990, made a 10-month con*tribution to the results.

The decision to concentrate [redacted] *high margin* [redacted] was behind the sale in November [redacted] Benham, [redacted] mechanical [redacted] electrical [redacted] contracting subsidiary, which resulted in an extraordinary [redacted] about [redacted].

The difficulty [redacted] Benham [redacted] *controlling* [redacted] *flow, the* [redacted] tively low [redacted] £50m and [redacted] margins [redacted] 2 per cent, made the sale worthwhile [redacted] a loss, Mr Egleton [redacted].

A policy of focusing on businesses that are, or [redacted] the potential to be, market leaders was *also behind* the sale. The [redacted] has [redacted] leadership in ductwork manufacturing and in *specialist* distribution, while Bardsey is number two in the hand tool distribution field.

The manufacturing division, involved in ductwork for heating and air conditioning systems in commercial buildings, was the largest contribu*tor to the results, providing 65* per cent of the group's operating profit.

However, businesses overall had performed better as a result of having very clear financial [redacted] which had been [redacted] ficial in the difficult market environment, Mr Egleton said.

He warned, however, that "we are not immune to the [redacted] recession," and added that [redacted] group would work [redacted] ensure that cash resources were conserved, [redacted] margins were likely to come under pressure.

Union Square

Union Square, the USM-quoted property co[redacted], reported a pre-tax loss of £1.07m (£1.41m profit) for the half [redacted] tember 30 1990.

The main [redacted] for the [redacted] icit [redacted] interest incurred on loans for [redacted] group's Bloomsbury Plaza development, which cannot [redacted] capitalised except [redacted] value clearly [redacted]. [redacted] *no* interim dividend (0.4p).

Resort Hotels calls for £12.1m to fund new acquisitions

By Maggie Urry

RESORT HOTELS, the rapidly expanding hotel group, yesterday launched [redacted] £12.1m *rights* issue to provide funds to make acquisitions, taking advantage *of "the current exceptional* opportunities in the sector".

It is Resort's third rights *issue since coming to the stock* market in March 1988. It has also issued shares to buy *hotels.*

This cash call is on a 3-for-5 basis, involving the issue of 25.4m shares at 50p each. However the shares, listed on the main market since late 1989, only fell 4p to 65p on the news.

Resort forecast pre-tax profits for the year to end-April of "not less than £4.5m" compared to £3.6m in 1989-90, but analysts expect that earnings per share will be down by as much as 1p on the 9.25p made last time because of the extra shares in issue.

A final dividend of [redacted] forecast to give [redacted] total of 3.4p (3.25p).

Mr Robert Feld, managing director, said the group was relatively unaffected by the *slump in international tourism* since hostilities began in the Gulf because only 3 per cent of *customers came from overseas.*

However, he said that problems being faced by other hotel groups meant that a number were for sale and that prices were falling.

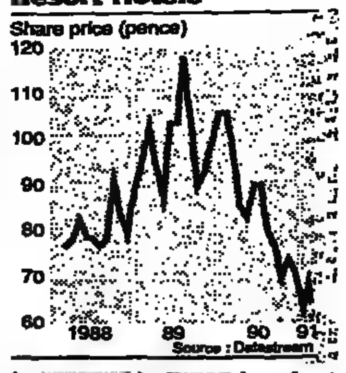
Resort has 34 properties of which 14 are owned by the group and 20 managed for their owners – Johnson Fry Business Expansion Schemes. The hotels are in the southern part of England and [redacted]ales, although the group [redacted] expanding into the Midlands.

Also announced yesterday was a further Johnson Fry Business Expansion Scheme, which plans to raise £7.5m to invest in 10 hotels which will be [redacted] by [redacted] for a fee.

Mr Feld said the [redacted] would initially cut [redacted] gearing from 34 per ce[redacted] 6 [redacted] cent, but the plan would be to borrow again. He [redacted] the group was comfortable with gearing of [redacted].

Resort Hotels

Share price (pence)



Source : Datastream

Tyndall recovers in second half

By Clare Pearson

TYNDALL HOLDINGS, the financial [redacted], has announced its first set of results since writing off its investment [redacted] Tyndall Australia, the troubled Antipodean [redacted].

Pre-tax profits recovered to [redacted] in the [redacted] months to end-December, compared with *£429,000 in the first half,* making [redacted] year.

The company is proposing a capital reconstruction to eliminate a £58.5m deficit on its profit and loss account which precludes it from paying divi[redacted] It [redacted] its year-end from end-December to end-April.

[redacted] *the first* [redacted] months, Tyndall [redacted] an [redacted] below-the-line charge, [redacted] accounted for £8.36m. In the absence of this, the second six months showed a profit after extraordinary items of £766,000, although the loss for the year was £10.7m (profit [redacted] £2.96m).

Central [redacted] to [redacted] (£2.27m) for the year, but were down at £791,000 for the second half. Tyndall said they were now running at £1m on annualised basis.

Operating profits were marginally ahead at [redacted] (£4.5m). The contribution from *the banking and trust division* was relatively [redacted] £3.95m. Investment management, which was reorganised towards the end of the year with the establishment of the Tyndall Global Fund in Luxembourg, put in £672,000 (£565,000).

Earnings [redacted] came [redacted] 1.41p (5.3p), [redacted] which 1.38p [redacted] half.

Mr [redacted] Kenny, who [redacted] managing [redacted] departure of former chief executive Mr Garret Harrison, said the results showed Tyndall putting in [redacted] performance in the second half.

Tyndall announced last month [redacted] one [redacted] buyers of Tyndall Australia was GPG, a subsidiary of Industrial Equity (Pacific), a vehicle for Sir Ron Brierley, [redacted] New Zealand entrepreneur and also the owner of 13 per cent of Tyndall's shares.

The other is Barnam, a company *representing four mem*bers [redacted] Tyndall Australia's management.

The deal involved a payment by GPG to Tyndall of A\$3.7m (£1.5m), being the unpaid liability on the partly-paid shares. An option has also been issued to Barnam to buy Tyndall's residual [redacted] per [redacted] holding in the fully-paid [redacted] issued ordinary [redacted]. Full exercise [redacted] result in a payment of either A\$7.2m [redacted] A\$8.7m, depending on when it is exer[redacted]ised.

Shareholders are to vote on the capital reconstruction and disposal proposals on March 7.

Pilkington to close NZ sheet glass plant

By Maggie Urry

Pilkington, the glass company, is closing [redacted] sheet glass plant in [redacted] Zealand because cheap imports [redacted] China and [redacted] *parts of Asia have driven* it into [redacted].

The plant was opened in 1964 and [redacted] old-fashioned [redacted] sheet [redacted]. Pilkington [redacted] the float [redacted] making glass in 1959 and the New Zea[redacted] plant [redacted] its last [redacted] sheet plant.

Originally the New Zealand business was protected [redacted] iffs, but their removal allowed cheaper float glass into [redacted] market.

Pilkington said the plant, in Whangarei in [redacted] North Island, had been profitable until last year but was projected to run at an annual loss of NZ\$4m (£1.21m). The closure will mean [redacted] 180 jobs.

[redacted] about half the New [redacted] and horticultural glass, and will supply [redacted] in future from its [redacted] plants in Australia or elsewhere. This will take up some [redacted] capacity [redacted] plants. The closure will not [redacted] Pilkington's distribution [redacted] *automotive safety glass pro*[redacted] in [redacted] Zealand.

Leslie Wise climbs 19% despite depressed market

By David Owen

LESLIE WISE, [redacted] textiles, women's clothing and knitted fabrics group, shrugged [redacted] trading [redacted] a [redacted] per cent [redacted] *pre-tax prof*its.

The Leicester-b[redacted] pany said [redacted] the [redacted] ability [redacted] "respond quickly and [redacted] tively" to [redacted] circumstances.

"[redacted] strong [redacted] resources the company is well supported for [redacted] further short term [redacted] conditions," said Mr Leslie Wise, [redacted].

Taxable profits for the year to November 30 climbed [redacted] (£4.17m). This was in spite of a reduction from £160,000 to £50,000 in net inter[redacted] and a "severely depressed" market. Turnover [redacted] ahead from £34.56m to £43.7m.

[redacted] merchanting division, *which mainly comprised* Leslie Wise and Tomorrows Textiles Today, had [redacted]aintained market share and [redacted] both turnover and profit.

The garment unit, meanwhile, [redacted] "held its position in the market" in spite of pressure on margins. It [redacted] fited from [redacted] full-year contribution from Bealhurst/Verna [redacted].

[redacted] per share [redacted] by 14 per cent to [redacted] (8.72p). A final dividend of 2.25p is recommended, making a total of [redacted] (3.5p).

The shares climbed [redacted].

Board changes at Devenish

[redacted] John [redacted] has [redacted] appointed deputy chairman and [redacted] *of JA* Devenish, the [redacted] country [redacted]. He [redacted] previously [redacted] company's [redacted].

He will be responsible for developing [redacted] implementing the group's [redacted] strategy, Mr Michael Cannon, chairman [redacted] *chief executive,* said at the company's annual meeting.

Mr [redacted] immediate [redacted] will include [redacted] reassessment [redacted] *group's loss-making brew*[redacted] Redruth and [redacted] development [redacted] pub [redacted] within [redacted] tighter capital expenditure programme.

Mr Cannon [redacted] the [redacted] for the [redacted] quarter had been [redacted] but [redacted] the [redacted] quarter [redacted] slowly.

Gummer attacks Brussels' 'pension' plan for farming

By David Blackwell

EUROPEAN FARMERS would be turned into permanent pensioners running allotments under the proposed reforms to the European Common Agricultural Policy, Mr John Gummer, UK Minister for Agriculture, said yesterday.

The European Community's export markets would be handed over to the US, Australia and New Zealand, he told the annual meeting [illegible] National Farmers' Union in London. "With [illegible] colleagues in the [European] Community, with farmers and landowners [illegible] in the [illegible] of Europe, [illegible] must [illegible] these proposals in their tracks," Mr Gummer said.

He [illegible] Mr [illegible] MacSharry, the EC Commissioner for Agriculture, for making plans for EC farm reform which would raise the cost of the CAP. Mr MacSharry's plans would [illegible] support away from larger farms towards the EC's [illegible] farms.

"It cannot [illegible] right [illegible] reshape the CAP into [illegible] system [illegible] protect [illegible] hopelessly uneconomic farmers and condemn them indefinitely to run farms which cannot compete or make a profit in the market place," Mr Gummer said.

John Gummer: "We must stop these proposals in their tracks"

[illegible] the [illegible] time, the [illegible] had to [illegible] reformed. Its [illegible] budget was running out of control, and it had become "an engine for its [illegible] destruction."

"Yet with all [illegible], farmers' incomes [illegible] bottom."

CAP reforms [illegible] meet three main criteria, Mr Gummer said. It had to be: less costly to the taxpayer; better directed [illegible] the farmer; and better designed to improve [illegible] environment.

"We know we [illegible] to [illegible] support [illegible] enable the farmer to get a greater proportion of his income from the market," added Mr Gummer. "But that reduction in support must be fairly spread across the [European] Community, and, through Gatt, matched by reductions [illegible] by our competitors [illegible] Europe."

Sir Simon Gourlay, in his last major speech as president of the NFU, attacked the MacSharry proposals for "discriminating against larger units, for putting the clock back and trying to re-establish [illegible] modern Ruritania."

He urged a return [illegible] original principles [illegible] – [illegible] fair balance between the [illegible] and con[illegible] income for farmers comparable with other [illegible] of the economy; and help for farm restructuring and alternative rural employment.

[illegible] Simon, who [illegible] today after five [illegible] president, also urged farmers to put more [illegible] into finding and exploiting market [illegible].

"We cannot accept that British farmers and growers will have an ever smaller share of our [illegible] food market."

Oil project blockage angers Nigeria

By William Keeling in Lagos

THE DECISION by [illegible] commercial banks known [illegible] the London Club [illegible] block finance for the $1bn [illegible] condensate project in the Niger delta has been sharply criticised by Mr Jubril Aminu, Nigeria's [illegible] Petroleum resources. The project appeared secure until early-January when the club indicated that it would [illegible] permission for the government to raise security for crucial World Bank loans. [illegible] club's permission [illegible] its members are already [illegible] money by Nigeria.

"They have certainly [illegible] a spanner [illegible] works", the minister said. Without [illegible] ment security, [illegible] World Bank is unable [illegible] follow through on a $150m loan [illegible] project. Even more important, without [illegible] participation [illegible] World Bank, finance totalling $400m from [illegible] export credit [illegible] the US, Japan [illegible] France is likely to be lost.

No member of the London club is believed to be contributing financially to the project but, under existing agree[illegible], [illegible] government [illegible] the club's permission before [illegible] security on [illegible] loans. The London club is currently in dispute with the [illegible] ernment which owes [illegible] members $5.8bn in overdue debt.

Mr Aminu expressed his surprise [illegible] club's stance. He [illegible] the Oso project, which is [illegible] by the Nigerian National Petroleum Corporation [illegible] per cent by Mobil Producing Nigeria, would [illegible] been "to the advantage [illegible] the London club. This is the project which, having [illegible] all [illegible] payments. . . would accrue to the [illegible] account the sum of [illegible] $500m a year. It would put Nigeria in a better position [illegible] their debts."

[illegible] the project, which is scheduled to pro[illegible] 100,000 [illegible] a day [illegible] condensate (light liquid hydro[illegible] separated from [illegible] gas) by [illegible], will go [illegible]. Industry officials report [illegible] companies [illegible] already [illegible] $300m to the project [illegible] worth $450m have [illegible] awarded [illegible] involve heavy penalties should the project be aborted.

[illegible] Also in [illegible] is [illegible] giant liquified natural gas project [illegible] is planned to supply 4.2m tonnes of gas a year to the US and Europe. Estimated project costs have risen by 40 per [illegible] in the [illegible] year [illegible] and the target date for completion in 1995 [illegible] increasingly unlikely. Mr Aminu admitted that a "slip would [illegible] inevitable".

South African gold output cut urged

By Philip Gawith in Johannesburg

SOUTH AFRICAN gold production needs [illegible] fall by 20 per cent in order to correct perceptions of oversupply in the industry and [illegible] restore the gold [illegible] levels at which it will again be viable to develop new mines.

This [illegible] the contention made yesterday by Mr Gary Maude, managing director of Gengold, the gold arm of [illegible] South African Gencor group. He said that at a gold price of [illegible] troy ounce, 20 per [illegible] world production and 25 per cent [illegible] Africa's production [illegible] at a loss.

Mr Maude said the gold price had fallen [illegible] the break-even level for the most expensive 20 per cent [illegible] South African production. "To [illegible] out [illegible] this, this [illegible] per cent [illegible] South African production must come [illegible] the market. These are the marginals. . . If [the marginal mine] [illegible] improve [illegible] operation to produce gold [illegible] profit, it must [illegible] it is bankrupt."

Mr [illegible] "the sooner [illegible] process [illegible] sooner perceptions of an unlimited gold supply irrespective of price will [illegible] eliminated, and it means that the process of [illegible] the gold supply can [illegible] all [illegible]." He [illegible] that the price would have to [illegible] an ounce to make [illegible] worth exploiting the [illegible] per [illegible] known world gold reserves still under the [illegible] in South Africa.

Speaking at the same conference, Mr David Crowe, executive director at Anglovaal suggested how government's fiscal policy could encourage development of new mines.

He said exploration activity would be "more or less doubl[illegible] if exploration costs were allowed [illegible] tax in the year in which funds are expended"; planning would be assisted if there were incentives to hedge, such as hedging profits not being taxed, or only at a low flat rate; and new investment would be best encouraged by the abolition of "ring-fencing" – share-holding arrangements aimed at making companies bid-proof.

Mr Cyril Ramaphosa, general secretary of the National Union of Mineworkers, proposed a labour summit between employers and workers as a matter of "extreme urgency" to discuss the industry's future. He criticised mine-owners for trying to "go it alone" in addressing the industry's problems and said the Chamber of Mines' refusal to negotiate a nation-wide retrenchment deal with the union could result in major industrial action.

Mr Ramaphosa restated earlier union positions that the industry should adopt an anti-[illegible] discrimination charter and contribute more to skills training. He also suggested that all mines should contribute a [illegible] equivalent to 10 per of shareholders [illegible] to [illegible] trust fund to [illegible] retraining of redundant workers.

MR BARRY DAVISON, chairman of the world's largest platinum producer, Rustenburg Platinum, said yesterday he was confident that the demand potential existed to absorb the increased supplies of platinum expected to become available during this decade.

Mr Davison said that between 1990 [illegible] 1995 annual supplies of platinum could increase by about 1.3m ounces from 1990 production of 3.77m [illegible]. Given that the overwhelming bulk of this extra production would come from South Africa, its share of the world's primary platinum would rise to about 84 per cent from 77 per cent in 1990. Mr Davison said that by 2000 the extra availability could be as high as 2.1m ounces, depending on events in the interim.

He suggested that in order to keep pace with this higher figure, demand would have to increase by 4.5 [illegible] 5 per cent a year [illegible] the decade. Mr Davidson said worldwide growth in demand for automobile catalysts could alone account for 1.7m ounces by the turn of the century. Mr Davidson said [illegible] per cent [illegible] year annum growth in offtake could be expected from the jewellery market, while fuel cells and magneto-optical storage systems were [illegible] promising markets.

Philippines agriculture healthier

By Greg Hutchinson in [illegible]

PHILIPPINE agriculture [illegible] healthier [illegible], especially rice production, which [illegible] expected to recover after last year's drought.

A rise in [illegible] staple's output, however, [illegible] unlikely [illegible] pace with [illegible] growth [illegible] nearly 5 [illegible] cent [illegible] year. Half [illegible] growth is accounted for by [illegible] country's [illegible] cent annual [illegible] in [illegible] population, [illegible] about 61m.

The Philippines [illegible] Asia's "green revolution" of introducing new rice varieties and farm infrastructure investment [illegible] the 1970s, but [illegible] mid-1980s rice output has slipped from annual growth of 5 per [illegible] 2 [illegible] and less. Imports – from Vietnam, Thailand and [illegible] US – have risen dramatically.

Under the government's 1991-1995 agricultural development plan the country hopes to revive the spirit of the 1970s by funneling more [illegible] for infrastructure development, marketing, [illegible] and credit and [illegible] support through farmers' co-operatives.

But the Catholic country has [illegible] uphill [illegible] while [illegible] its none of the political will to [illegible] population growth and [illegible] build into [illegible] plans safety [illegible] against increasingly commonplace [illegible] rences, [illegible] drought, typhoons [illegible] earthquakes. [illegible] all three phenomena badly [illegible] Philippine agriculture.

[illegible] second dry spell now affecting a tenth of the country – in the south [illegible] centre of the archipelago – [illegible] to [illegible] losses for maize of 480.8m pesos ($17.14m) and for rice of P157m, according to the Department [illegible] Agriculture. But the current dry spell is milder and [illegible] widespread than last year's drought, and [illegible] are expected [illegible] be limited. "Definitely it cannot be worse than last year," [illegible] Mr Senen Bacani, the Agriculture Secretary.

In 1990, domestic crop production fell a real 1.03 per cent [illegible].

The agricultural sector as a whole [illegible] by 2.7 per cent [illegible] of higher poultry, livestock and fishery output.

[illegible] production led [illegible] fall, slipping 1.47 per [illegible] and prompting the government to import 600,000 tonnes of – 10 per cent of the country's production [illegible]. Agriculture officials and experts believe the Philippines this year will cut its imports of rice to half [illegible] last year's. And for maize production, which grew by [illegible] per cent last year, there is good news. With six months supply [illegible] of maize, [illegible] should be the first year the Philippines will [illegible] need to import maize, according to Mr Bacani.

The recovery of the crop [illegible] this year should [illegible] boosted by relief agreed to be given on [illegible] importers. Mr Bacani [illegible] that fertilisers would be exempt from a new 9 per cent levy and 5 per cent tariff measure introduced by the [illegible] to curb demand and generate revenue for the economy.

Tin price slides in Malaysia

PRICES ON the Kuala Lumpur Tin Market yesterday sank to M$14.64 a kilogram (equivalent to $5,460 a tonne), the lowest level for more than four years and just 65 Malaysian cents above the market's all-time low of June 3, 1986, writes Lim Siong Hoon.

On most days so far this year prices have been fluctuating below M$15.00 a kilogram, although domestic stocks and production levels last year [illegible] shrunk by 30 and 10 per [illegible] respectively.

While stockpiles have fallen rapidly – 14,600 tonnes at end-November compared with 21,000 tonnes [illegible] year earlier – the rise in stocks at the London Metal Exchange has been much faster, particularly during the past few months, [illegible] more than 19,000 tonnes.

The anomaly underlines the limited ability of the Association of Producing Countries to regulate supplies, a situation to which the Malaysian government has reacted with uncharacteristic silence. ATPC's meetings have been reduced from four to three times a year; one is scheduled next month.

Malaysian production has again suffered from the weak market. Its 1990 production is unlikely to touch 29,000 tonnes, as against 1989's 32,000 tonnes and 1988's 28,900 tonnes.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	−200	to 312,175
Copper	+3,275	to 194,075
Lead	+3,375	to 57,275
Nickel	−750	to 3,324
Zinc	−200	to 54,600
Tin	−160	to 19,440

No aid for NZ wool growers

By Dai Hayward in Wellington

NEW ZEALAND wool growers are [illegible] aid, unlike their [illegible] counterparts, [illegible] government has just [illegible] minimum price for wool.

[illegible] Mr [illegible] Bolger, [illegible] Prime Minister, [illegible] Mr John [illegible], the Agricultural Minister, made [illegible] clear [illegible] night. Mr Falloon said [illegible] would be difficult for [illegible] New Zealand government to help wool growers, [illegible] facing [illegible] drop [illegible] income, [illegible] time when it is cutting welfare benefits.

Dr Grant Sinclair, chief executive [illegible] the [illegible] Board, says it will be impossible [illegible] continue supplementing prices received by wool growers [illegible] government help. The board had asked the government for an open-ended [illegible] because most of its reserves had been used [illegible] this season in [illegible] a large quantity of wool for its stockpile and also in supplementing the prices received by growers.

In the first seven [illegible] of the current season the [illegible] has bought a third of the total wool clip and now has a stockpile of more than 650,000 bales.

Under [illegible] existing scheme New Zealand sheep farmers are guaranteed an average minimum price of 485 [illegible] a kilogram. But the market price has [illegible] down at [illegible] and [illegible] and the board has had to make up [illegible] difference.

[illegible] meeting in [illegible] and in private. Dr Sinclair confirmed [illegible] it had [illegible] the government [illegible] help.

[illegible] expected [illegible] announce soon the [illegible] guaranteed price scheme and [illegible] changes [illegible] its buying policy. The blow will be devastating for many farmers. A farmers' [illegible] said wool growers already face a drop of NZ$4,000-$5,000 (£1,200-£1,500) in income this season and this will drop further [illegible] market price falls below NZ$4 [illegible] kilogram, as Wool Board [illegible] and economists predict will [illegible]. Dr Sinclair says abolishing the minimum [illegible] will send wool prices down. This would not only be bad for farmers but bad news for the [illegible] wool [illegible] of the uncertainty and upheaval it will cause in the market.

A drop in minimum [illegible] hit the [illegible] Board itself, which is now the largest holder of coarse and [illegible] wool in the [illegible]. Although New Zealand's stockpile is well below [illegible] 5m [illegible] held in Australia it will require considerable [illegible] and careful planning [illegible] dispose [illegible] a quantity of wool.

New [illegible] supplementary price scheme and buying policy is [illegible] more [illegible] than Australia's. Although [illegible] board buys wool [illegible] price reaches the floor level [illegible] its purchases [illegible] different levels [illegible] buyers are never [illegible] what price it will step in.

In the seven months [illegible] this season the board has used half of its reserve funds. [illegible] income [illegible] year has been [illegible] by almost half to about NZ$112m because funds it had on deposit have now been spent and it has [illegible] the interest earnings.

Mr Owen Jennings, leader of the [illegible] Farmers Association, says that although dropping the supplementary price scheme will be devastating for [illegible] will still be something [illegible] a silver lining. The [illegible] New Zealand [illegible] will [illegible] buyers' uncertainty, he says, and they will no longer hold [illegible] in expectation of [illegible] price falls.

Wool is New Zealand's most valuable export, earning NZ$1.316bn [illegible] season. [illegible] reduction in export earnings caused [illegible] the drop in buying by China and [illegible] recently the Soviet Union has already affected the country's economy and the incomes of individual farmers. A further reduction will [illegible] problems both for sheep farmers and for the government.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in [illegible]).

ANTIMONY: European free [illegible] 99.6 per cent, [illegible] per tonne, in warehouse, 1,700-1,750 [illegible].

BISMUTH: European free market, min. 99.99 per cent, [illegible] per lb, tonne lots in warehouse, [illegible] (same).

CADMIUM: European [illegible] market, min. 99.5 per cent, $ per lb, [illegible] warehouse, [illegible] (2.60-2.90).

COBALT: European free [illegible], 99.5 per cent, $ per lb, in warehouse, 14.75-15.25 (15.00-15.60).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 135-150 (140-150).

MOLYBDENUM: European [illegible] market, drummed molybdic oxide, $ per lb Mo, in warehouse, [illegible].

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

TUNGSTEN ORE: [illegible] free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 4.80-5.40 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.60-2.80 (2.63-2.83).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 9.70 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

[illegible] fixed [illegible] the London bullion market at [illegible] 17-year low of 366 cents [illegible] fine [illegible] but closed [illegible] just [illegible] 370 [illegible]. Chartists [illegible] major [illegible] target [illegible] silver [illegible] cents, but some [illegible] sceptical. "I think we [illegible] totally [illegible] territory on [illegible] just [illegible] psychological number, [illegible] reason why [illegible] should stop there," [illegible]. [illegible] recovered [illegible] falling [illegible] low [illegible] ounce during [illegible] day. A recovery [illegible] early trading [illegible] Comex brought in [illegible] covering from London players who had expected further losses [illegible] test of [illegible] support [illegible]. London [illegible] prices edged [illegible] appeared [illegible] both origin selling and price fixing. "The origins are [illegible] hammering [illegible] but [illegible] are selling [illegible] quantities every day. The [illegible] holding [illegible] seeing [illegible] good manufacturer buying," [illegible] said. Given [illegible] support [illegible] afternoon, some traders [illegible] that a recovery in prices might [illegible] be [illegible] away. "Origins [illegible] sell, [illegible] once they're finished, I wouldn't like [illegible] be short," another [illegible].

Compiled [illegible] Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$14.90-5.05t	-.275
[illegible]	[illegible]	-0.15
[illegible]	$19.40-9.45	-.075
W.T.I. (1 pm [illegible])	[illegible]	[illegible]
Oil products (NWE prompt [illegible] CIF)		+ or -
Premium Gasoline	$242-246	
[illegible] Oil	[illegible]	-12
[illegible] Oil	[illegible]	-2
Naphtha	[illegible]	[illegible]
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$368.25	[illegible]
[illegible] troy [illegible]	[illegible]	[illegible]
Platinum [illegible] oz)	$380.75	[illegible]
Palladium [illegible]	$86.00	[illegible]
Aluminium (free [illegible])	$1515	+5
Copper (US Producer)	114½c	
Lead (US Producer)	34c	
Nickel (free market)	[illegible]	+7
Tin [illegible] Lumpur market)	14.64r	[illegible]
Tin (New York)	257c	
[illegible] (US Prime [illegible])	62c	[illegible]
[illegible]	[illegible]	[illegible]
Sheep (dead weight)†	159.85p	+18.7*
Pigs (live weight)†	84.64p	+6.98*
[illegible] daily sugar (raw)	$203.0w	-7.5
[illegible] daily sugar (white)	$287.5w	-8.5
Tate and Lyle export price	£211.5	-4.0
[illegible]	Unq.	
[illegible] (US No. 3 yellow)	[illegible]	+0.5
Wheat (US Dark Northern)	£94.5	
Rubber (Mar)♥	48.00p	[illegible]
Rubber (Apr)♥	48.50p	[illegible]
[illegible] (KL RSS No 1 Mar)	229.0m	
[illegible] (Philippines)§	$325q	
[illegible] Oil (Malaysian)§	$315	-5
[illegible]	$200	
Soyabeans (US)	[illegible]	[illegible]
Cotton "A" Index	[illegible]	-0.40
Wooltops (64s Super)	401p	

£ a tonne [illegible] c-cents/lb. r-ringgit/kg. q-Mar/Apr. t-Apr. [illegible] Mar z-Jan/Feb. x-Mar. [illegible] average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ [illegible] market [illegible] m-Malaysian cents/kg.

SUGAR – [illegible] FOX			([illegible] tonne)
Raw	[illegible]	[illegible]	High/Low
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	186.00 184.00
Aug	[illegible]	[illegible]	192.00 188.80
Oct	[illegible]	190.80	[illegible] 190.00
[illegible]	[illegible]		191.40
[illegible]	[illegible]	[illegible]	[illegible]
White	[illegible]	[illegible]	High/Low
Mar	292.8	285.5	[illegible]
May	284.8	280.5	[illegible] 280.0
Aug	287.8	283.5	288.0 282.0
Oct	262.8	[illegible]	[illegible]
Dec	258.3	254.0	255.5
Mar	262.3	257.5	[illegible]
May	264.8	[illegible]	263.9 262.0

Turnover: Raw 1681 (1246) lots of 50 tonnes. White 2220 (1979)
[illegible] White (FFr per tonne): Mar [illegible] May [illegible] Aug 1435, Oct 1312.

CRUDE OIL – IPE			$/barrel
	[illegible]	[illegible]	High/Low
Mar	20.55	[illegible]	20.90 20.25
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	18.57	[illegible]
Jun	[illegible]	[illegible]	18.03
IPE [illegible]	[illegible]	20.09	20.40 20.09

Turnover 20835 (11375)

GAS OIL – IPE			[illegible]
	Latest	Previous	High/Low
Feb	341.00	331.75	352.00 325.00
[illegible]	228.50	233.00	[illegible] 228.00
[illegible]	189.50	[illegible]	[illegible] 187.00
May	[illegible]	[illegible]	181.00 174.50
[illegible]	171.50	175.50	[illegible] 171.50
[illegible]	[illegible]	[illegible]	175.00 169.00
[illegible]	170.00	174.50	[illegible]

Turnover 13230 (17992) lots of 100 tonnes

JUTE
February/March c and f Dundee BTC $540, BWC $550, BTD $485, BWD $500; c and f Antwerp BTC $520, BWC $520, BTD $480, BWD $480.

COTTON
Liverpool- Spot and shipment sales for the week ending February 8 amounted to 515 tonnes against 281 tonnes in the previous week. Business was reasonably large, with trading mostly in American styles.

COCOA – London [illegible]			[illegible]
	[illegible]	[illegible]	High/Low
[illegible]	601	592	[illegible]
May	[illegible]	[illegible]	[illegible] 628
Jul	664	660	[illegible]
Sep	[illegible]	696	695 [illegible]
Dec	[illegible]	724	730 [illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	769	769	[illegible]

Turnover [illegible] (7029) [illegible] of [illegible]
ICCO [illegible] prices [illegible] per [illegible]. Daily price [illegible] Feb 11 [illegible] 10 day average for Feb 12 831.84 [illegible]

COFFEE – [illegible] FOX			[illegible]
	[illegible]	[illegible]	High/Low
Mar	611	615	[illegible] 600
[illegible]	525	[illegible]	[illegible]
Jul	536	546	[illegible]
[illegible]	[illegible]	563	559 [illegible]
[illegible]	[illegible]	578	[illegible] 565
Jan	596		[illegible] 596
Mar	604		604 [illegible]

Turnover: 4853 [illegible] lots of 5 tonnes
[illegible] indicator prices (US cents per pound) for [illegible] 11: Comp. daily 69.84 (68.95). 15 day average 67.96 (67.92)

POTATOES – London FOX			£/tonne
	Close	[illegible]	High/Low
[illegible]	[illegible]	125.5	[illegible]
[illegible]	151.5	[illegible]	150.0 [illegible]

[illegible] (110) lots [illegible]

SOYAMEAL – London [illegible]			£/tonne
	[illegible]	[illegible]	High/Low
Apr	109.00	[illegible]	[illegible]
[illegible]	[illegible]		108.50
[illegible]	110.50		110.50
[illegible]	112.50		112.50

Turnover 135 (51)lots of 20 tonnes.

FREIGHT – London FOX			$10/Index point
	Close	[illegible]	High/Low
Feb	1574	1570	[illegible] 1570
Mar	1539	1521	[illegible]
Apr	1420	1400	1420 1410
Jul	1100	1075	1100 1085
[illegible]	1200	[illegible]	1200 [illegible]
BFI	1561	1553	

Turnover [illegible]

GRAINS – London FOX			[illegible]
Wheat	Close	Previous	High/Low
Mar	123.70	[illegible]	[illegible] 122.90
May	127.25	[illegible]	[illegible] 126.45
Jul	129.35	128.85	129.20 129.10
Barley	Close	Previous	High/Low
Mar	113.80	113.45	[illegible]
May	117.00	116.45	117.00 [illegible]
[illegible]	[illegible]		[illegible]
Nov	107.15		107.15

Turnover: [illegible] 290 (192). Barley 56 [illegible]
Turnover lots of 100 tonnes.

PIGS – London FOX		(Cash Settlement) p/kg	
	Close	Previous	High/Low
Feb	105.5		105.5
Mar	107.5	107.0	108.5
Apr	107.5		107.0
Jul	105.5	105.5	105.0
Oct	105.5		105.0

Turnover: 35 (41) lots of 3,250 kg

[illegible] – London FOX					
	Close	Prev.	High	Low	Vol
Indx	156.24	155.53			
Feb	156.90		157.00	156.70	70

LONDON [illegible] EXCHANGE				([illegible] supplied by Amalgamated [illegible] Trading)		
	Close	Previous	High/Low	[illegible] Official	Kerb [illegible]	[illegible]
Aluminium, [illegible] purity ($ per tonne)					Total daily [illegible] lots	
Cash	[illegible]	1503-5	1514	1513-4		
3 [illegible]	[illegible]	1535-6	1554/1546	[illegible]	1555-7	[illegible]
Copper, Grade A (£ per [illegible])					Total daily turnover [illegible] lots	
Cash	1231-3	1219-21	[illegible]	[illegible]		
3 [illegible]	[illegible]	1221-2	[illegible]	[illegible]	1232-3	[illegible]
[illegible] (£ per [illegible])					[illegible] lots	
Cash	297-7.5	302-3	299	298-9		
3 months	308-9	[illegible]	312/308	309-10	316-7	[illegible]
Nickel ($ per tonne)					Total daily [illegible]	
Cash	8850-900	8780-800	8900	8875-900		
[illegible]	8775-800	[illegible]	8850/8725	[illegible]	8770-5	[illegible]
Tin ($ per tonne)					[illegible] daily [illegible]	
Cash	[illegible]	5540-50	5535	5530-5		
3 [illegible]	[illegible]	5640-50	[illegible]	[illegible]	5635-40	[illegible]
[illegible] Special High Grade ($ per tonne)					Total [illegible]	
Cash	1190-2	1180-1		1183-4		
3 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1192-5	[illegible]

LME Closing [illegible]
SPOT: 1.9915 | 3 months: 1.9591 | 6 months: [illegible] | 9 months: 1.9095

[illegible] BULLION MARKET (Prices supplied [illegible])		
Gold (fine oz) $ price		£ equivalent
Close	368.00-368.50	
Opening	[illegible]	
Morning [illegible]	[illegible]	181.936
[illegible] fix	[illegible]	183.070
Day's high	[illegible]	
Day's low	361.40-361.80	

Loco Ldn [illegible] Lending Rates (Vs US$)			
1 [illegible]	[illegible]	6 [illegible]	[illegible]
2 [illegible]	[illegible]	[illegible]	[illegible]
[illegible] months	5.19		

Silver fix	p/fine oz	US cts equiv
Spot	183.70	366.00
3 months	189.75	371.90
[illegible]	[illegible]	377.95
12 [illegible]	[illegible]	390.50

GOLD COINS
([illegible] supplied [illegible] Engelhard Metals)

	$ price	£ equivalent
Krugerrand	365.00-368.00	183.40-183.90
Maple [illegible]	[illegible]	[illegible]
New Sovereign	88.50-89.50	[illegible]

TRADED OPTIONS

Coffee	[illegible]	May	Mar	May
450	[illegible]	73		1
500	13	33	2	11
550		10	39	36
Cocoa	**Mar**	**May**	**Mar**	**May**
550	51			
600	10	54	9	19
[illegible]		26	49	43
Brent Crude	**Apr**	**May**	**Apr**	**May**
1900	180		80	
1950			135	
2000	120		150	

New York

GOLD 100 troy oz.; $/troy oz.				
	[illegible]	[illegible]	High/Low	
[illegible]	[illegible]	367.1	[illegible]	[illegible]
Mar	[illegible]	[illegible]	0	0
Apr	[illegible]	369.1	372.2	365.1
Jun	[illegible]	372.3	375.2	[illegible]
[illegible]	[illegible]	375.4	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	0	0
[illegible]	[illegible]	[illegible]	384.5	382.0
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy [illegible]				
	Close	Previous	High/Low	
Apr	379.1	378.9	382.0	375.5
Jul	382.8	382.6	384.0	378.5
[illegible]	[illegible]	386.1	[illegible]	[illegible]
Apr	395.6	395.6	0	0
Apr	[illegible]	402.7	0	[illegible]

SILVER 5,000 troy oz; cents/troy oz.				
	[illegible]	[illegible]	High/Low	
Feb	370.4	368.5	370.0	364.0
Mar	371.5	369.7	372.0	365.5
Apr	373.6	371.8	0	0
[illegible]	[illegible]	374.4	377.0	370.0
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	392.7	390.8	[illegible]	[illegible]
Jan	394.1	392.3	0	0
Mar	400.0	398.2	402.0	396.0
May	405.2	403.6	406.0	401.0

INDICES			
REUTERS (Base: [illegible] 18 [illegible] = 100)			
[illegible] 12	[illegible] 11	[illegible]	yr ago
1667.0	[illegible]	1665.0	[illegible]
DOW JONES (Base: Dec. 31 1974 = 100)			
Feb 11	[illegible] 8	mnth ago	yr ago
[illegible]	[illegible]	123.20	128.50
127.30	127.57	126.10	[illegible]

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	[illegible]	[illegible]	High/Low	
Feb	111.00	110.60	111.90	110.50
Mar	110.00	110.10	111.30	109.80
[illegible]	[illegible]	[illegible]	[illegible]	108.30
[illegible]	107.00	107.30	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	0	0
Jul	[illegible]	[illegible]	106.60	105.40
Aug	[illegible]	[illegible]	0	0
[illegible]	103.80	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	103.90	0	0
[illegible]	102.75	[illegible]	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	[illegible]	[illegible]	High/Low	
Mar	[illegible]	22.47	[illegible]	22.06
[illegible]	[illegible]	20.96	[illegible]	[illegible]
[illegible]	[illegible]	20.02	[illegible]	19.75
Jun	[illegible]	[illegible]	[illegible]	19.16
Aug	[illegible]	[illegible]	[illegible]	18.60
[illegible]	18.49	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	18.62	18.60	[illegible]

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	[illegible]	
Apr	[illegible]	[illegible]	[illegible]	5860
May	[illegible]	[illegible]	[illegible]	5530
[illegible]	5300	[illegible]	[illegible]	5270
[illegible]	[illegible]	[illegible]	5825	5820

COCOA 10 tonnes;$/tonnes				
	[illegible]	[illegible]	High/Low	
[illegible]	1130	1135	[illegible]	1126
[illegible]	1158	1158	1177	1156
Jul	1192	1189	1206	1191
[illegible]	1225	1226	1239	1225
[illegible]	1273	1271	1287	1287
[illegible]	1316	[illegible]	1327	1316
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	1378	1375	0	0

COFFEE "C" [illegible]				
	[illegible]	[illegible]	High/Low	
[illegible]	87.20	86.35	88.00	86.50
May	[illegible]	[illegible]	90.00	88.85
Jul	[illegible]	[illegible]	[illegible]	91.25
[illegible]	[illegible]	[illegible]	94.20	93.50
Dec	[illegible]	97.00	97.00	96.30
Mar	99.50	99.80	0	0
May	101.90	101.65	0	0
Jul	104.00	103.80	0	0

SUGAR WORLD "11" 112,000 [illegible]				
	[illegible]	[illegible]	High/Low	
Mar	8.29	8.20	8.32	8.21
May	8.34	8.27	8.35	8.28
Jul	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	8.33	8.41	8.33
Mar	[illegible]	[illegible]	8.55	8.50
May	[illegible]	[illegible]	0	0
Jul	8.70	8.60	0	0

COTTON 50,000; cents/lbs				
	[illegible]	Previous	High/Low	
Mar	83.64	83.15	[illegible]	82.90
May	82.35	[illegible]	82.95	81.80
Jul	81.33	[illegible]	81.84	80.75
Oct	70.40	70.90	70.70	70.10
Dec	66.95	67.65	67.48	66.75
Mar	67.25	67.85	67.70	67.15

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	118.45	122.25	[illegible]	[illegible]
May	118.55	122.10	120.40	[illegible]
Jul	118.50	[illegible]	[illegible]	[illegible]
Sep	118.50	[illegible]	119.60	[illegible]

Chicago

SOYABEANS [illegible] bu min; cents/60lb [illegible]				
	[illegible]	Previous	High/Low	
Mar	[illegible]	[illegible]	572/4	562/6
May	[illegible]	[illegible]	585/6	576/4
Jul	596/4	[illegible]	[illegible]	589/4
Aug	601/6	[illegible]	602/4	595/0
[illegible]	[illegible]	603/2	605/0	[illegible]
[illegible]	[illegible]	612/2	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	619/4

SOYABEAN OIL 60,000 lbs; [illegible]				
	Close	[illegible]	High/Low	
Mar	21.12	[illegible]	21.22	20.92
[illegible]	[illegible]	[illegible]	[illegible]	21.22
[illegible]	21.74	21.74	[illegible]	[illegible]
Aug	21.77	[illegible]	21.88	[illegible]
Sep	21.75	[illegible]	21.90	[illegible]
Oct	21.85	21.80	21.95	21.79
[illegible]	[illegible]	21.99	[illegible]	[illegible]
[illegible]	21.98	21.90	22.09	21.95

SOYABEAN [illegible]				
	[illegible]	[illegible]	High/Low	
Mar	168.1	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	171.5	167.2
Jul	[illegible]	[illegible]	175.5	171.8
[illegible]	[illegible]	175.6	177.5	174.0
[illegible]	[illegible]	177.2	179.0	175.7
[illegible]	179.7	[illegible]	[illegible]	177.6
[illegible]	182.8	[illegible]	184.0	180.5
Jan	[illegible]	182.7	184.2	182.5

MAIZE 5,000 [illegible] min; cents/56lb [illegible]				
	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	239/4	237/4
May	[illegible]	250/0	247/6	[illegible]
Jul	[illegible]	256/2	254/2	252/0
Sep	253/6	256/2	254/6	253/0
Dec	255/4	258/4	256/0	254/2
Mar	262/4	265/0	262/6	261/2

WHEAT 5,000 bu [illegible]				
	[illegible]	[illegible]	High/Low	
[illegible]	[illegible]	251/6	[illegible]	251/0
[illegible]	[illegible]	261/4	263/6	261/0
Jul	272/6	[illegible]	274/2	270/6
Sep	279/6	[illegible]	280/0	278/0
Dec	293/0	[illegible]	293/4	290/4
Mar	300/4	297[illegible]	301/0	298/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	78.67	78.50	78.87	78.42
Apr	[illegible]	77.37	77.95	77.37
Jun	[illegible]	74.70	75.05	74.62
[illegible]	[illegible]	[illegible]	[illegible]	73.55
[illegible]	[illegible]	[illegible]	73.85	73.55
Dec	74.12	74.00	[illegible]	74.05

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Feb	51.92	[illegible]	52.60	51.85
Apr	49.27	[illegible]	[illegible]	49.22
Jun	54.37	54.45	54.95	54.55
[illegible]	54.35	54.35	54.75	54.32
[illegible]	[illegible]	[illegible]	52.30	51.85
[illegible]	[illegible]	48.75	[illegible]	46.80
[illegible]	[illegible]	[illegible]	[illegible]	0

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	64.95	64.10	65.65	64.40
Mar	64.17	[illegible]	64.70	63.60
May	[illegible]	[illegible]	[illegible]	63.60
Jul	[illegible]	[illegible]	63.40	62.50
[illegible]	[illegible]	[illegible]	61.50	60.60
Feb	59.25	59.50	59.80	59.25

LONDON STOCK EXCHANGE

Early gain reversed by profit-taking

AN ATTEMPT in early trading to carry the advance in UK equities above the FT-SE 2,300 mark prov[illegible] to be a step too far, or per[illegible]ps too soon, yesterday, and the UK stock mar[illegible] finally [illegible]ve ground as recent interest rate optimism cooled somewhat. Early [illegible]eals [illegible] the index jump 29.9 to 2,308.9 but sellers quickly appeared, especially when the [illegible] futures market opened and the premium on the March FT-SE contract slipped b[illegible]k [illegible] previous closing level.

The market sharply reversed its gain, swinging downwards by a net 50 points at worst. It was already moving into negative territory [illegible] the first hour of calculation of the Footsie Index. Selling was persistent, albeit on a moderate scale; [illegible] that [illegible] from both fund managers and private investors. By mid-session, the Footsie [illegible] down by nearly 19 points, and about 40 points below the [illegible] mark.

However, marketmakers were also very active as they seized [illegible] long-awaited opportunity to pick up stock. The market steadied without difficulty and reduced its [illegible] to only [illegible] points, [illegible] ner[illegible] ahead [illegible] the opening [illegible] the [illegible] Wall [illegible].

In [illegible] event, [illegible] York fared better than predicted at first, and only when the Dow extended its loss to 12 points in London hours did the UK market slip [illegible]. The final reading put the FT-SE Index at 2,264.5, a loss [illegible] 14.5 [illegible] the day. Seaq volume increased [illegible] 592.2m shares from Monday's 478.4m.

A leading [illegible] at a merchant bank commented that his clients were almost entirely sellers. This suggested that most of the buying had come from marketmaking [illegible] which have been short of stock since the market burst ahead from the Footsie 2,100 area.

Equity strategists professed [illegible] be unsurprised by yesterday's check to the rise in equi[illegible]. Interest rate optimism [illegible] restrained by [illegible] cooler [illegible] in London [illegible] markets, [illegible] this only coincided with the cautious [illegible]ception from analysts for [illegible]nday's news of an unexpectedly sharp rise in January producer prices.

The morning meeting [illegible] clays de Zoete Wedd was told of doubts that [illegible] cut in rates is imminent. "Politics and economics both argue for a bit more patience." BZW has down[illegible] its corporate earnings [illegible] indicate a fall [illegible] 6 per cent for 1990 and a further 5 per cent dip this year.

Equity chartists regard FT-SE [illegible] as the next serious hurdle and regarded yesterday's instant withdrawal from 2,300 as a negative pointer for the near term.

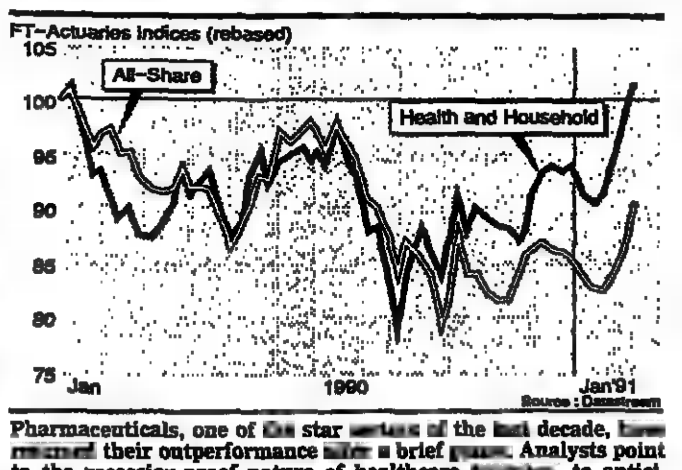
Interest rate-orientated stocks, including consumer and retail issues which have outperformed [illegible] the [illegible] weeks, were prominent in [illegible]terday's list of share falls. Marks and Spencer and Great Universal Stores gave ground.

However, the market's hopes for a cut in UK interest rates appear merely to have been postponed until Budget Day, now less than four weeks away. Profit-taking selling [illegible] fund managers, most of whom bought into equities when the Footsie was close to 2,100, was [illegible] modest yesterday, and marketmakers were clearly unwilling to let share prices fall very far.

The rest of this [illegible] will be dominated by the flow [illegible] data on the British economy, beginning with the wage and employment figures due tomorrow. Moreover, the equity market this week faces the opening of the corporate reporting sea[illegible] which [illegible] show the increasing effects of recessionary [illegible].

Account Dealing Dates		
*First Dealings:		
Jan 28	Feb 11	Feb 25
Option Declarations:		
Feb 7	Feb 21	Mar 7
Last Dealings:		
Feb 8	Feb 22	Mar 8
Account Day:		
[illegible] 18	Mar 4	Mar 18

*New-time dealings may take place from 8.30 am two business days earlier.



Pharmaceuticals, one of [illegible] star [illegible] of the [illegible] decade, [illegible] their outperformance [illegible] a brief [illegible]. Analysts point to the recession-proof nature of healthcare [illegible] to anticipated high demand for drugs still [illegible] research [illegible] and to the generally favourable regulatory environment. Moreover, from the investors' point of view, the sector contains some of the most easily tradeable equities.

Active session in Reuters

FINAL RESULTS from Reuters [illegible] little to reassure [illegible] of the [illegible] for the company. The mood was reflected in [illegible]ted swings in the company's share price.

After [illegible] strong [illegible] the day's trading, [illegible] shares weakened on talk [illegible] a possible rights issue. [illegible] published there [illegible] sharp recovery, followed by [illegible] steady decline [illegible] analysts [illegible]sidered Re[illegible] accompanying [illegible] and decided [illegible] cut their profits forecasts. The day's high [illegible] 758p and [illegible] closing price [illegible] leaving [illegible] net [illegible] 3. Turnover [illegible] exceptionally high 3.1m shares.

Profits came to £320.1m, compared [illegible] previous year, but analysts [illegible] Reuters' [illegible]ment [illegible] double-digit (percentage) profits growth in [illegible] current [illegible] would [illegible] cult [illegible] achieve". [illegible] is a change in emphasis from [illegible] autumn when [illegible] said [illegible] would be happy to see growth in double [illegible].

Yesterday [illegible] Govett, [illegible] company's broker, indicated [illegible] was cutting [illegible] year's profits [illegible] from [illegible] £330m, while [illegible] Benson, which [illegible] bearish [illegible] stock for some weeks, trimmed its figure by £5m to £325m and [illegible] the stock as a [illegible] hold/sell. Mr Chris [illegible] at [illegible] Kitcat [illegible] profits [illegible] easily be unchanged [illegible] £320m.

Banks pressured

Negative press comment and cautious noises from a leading London [illegible] left the banking sector, especially Midland, [illegible] sustained [illegible]. Banks [illegible] outperformed [illegible] equity market in recent weeks, with the big institutions focusing on large yields on the [illegible].

Hoare Govett was instrumental in pushing the sector lower after banks analyst Mr Nick Collier told clients to take profits in the wake [illegible] recent price rises. "They have come up too far, too fast," said Mr Collier.

The [illegible] analyst, however, remains optimistic regarding the banks' [illegible] be announced later this month, starting on F[illegible] 22 when Lloyds [illegible] preliminary fig[illegible]. He expects Lloyds [illegible] announce [illegible] in the dividend. He looks [illegible] Barclays (on February [illegible] per cent higher [illegible] (on February 26) [illegible] Midland [illegible] maintain [illegible] payment when [illegible] reports on [illegible] 5.

Midland ended [illegible] at 185p on [illegible] as [illegible] NatWest, [illegible] 302p on 4.2m. Barclays [illegible] Lloyds eased 2 apiece to 395p and 327p respectively.

BP opened firmly, sustained by strong gains in oil shares on [illegible] overnight, but subsequently moved lower through [illegible] day, [illegible] by [illegible] caution over prospects for the fourth quarter dividend due [illegible] be announced tomorrow.

There were whispers in the market just as the day's trading finished that the Kuwait Investment Office was about to place its 9.9 per cent stake in BP, some 540m shares, in a deal worth more than £1.7bn. Suggestions were that [illegible] stock [illegible] be [illegible] in three [illegible]: London, New [illegible] and Tokyo.

Specialists were sceptical of the stories but took the view that the KIO would eventually sell the shares to help finance the rebuilding of Kuwait, after the Gulf conflict. The UK government retains a 2 per cent interest in BP. The stock dipped 4 to 314p on 6.2m.

The Ofgas annual report was duly published [illegible] the expected criticisms but did [illegible] damage to the British [illegible] share price, [illegible] 1½ off at [illegible] on [illegible].

[illegible] stakebuilding plus [illegible] stock shortage [illegible]tinued [illegible] drive Burmah higher, [illegible] shares [illegible] 11 stronger [illegible] 543p.

The [illegible] board owing [illegible] widespread profit-taking. [illegible] Electricity Package [illegible] £15 [illegible].

Waters suffered more than the discos (electricity distribution companies) with a number of hefty deals transacted late on Monday depressing the sector. An institution is thought to have switched out of a substantial number [illegible] Water Package units – more [illegible] 5,000 according [illegible] specialists – and into three stocks. These were [illegible] to have been Anglian, which slipped 7 to [illegible], North West, 8 off at 293p, [illegible], which held at [illegible]. [illegible] Package dropped 248 to £2970.

Speculators continued [illegible] chase [illegible] Benson shares, which advanced to 345p prior to ending a net 14 higher at 343p. There have been suggestions in the market of a full-scale takeover bid from the Continent, or the sale of the securities business to one of the big Japanese [illegible] shares were quoted [illegible] at the beginning [illegible] week.

Dealers also pointed to substantial gains in other merchant banks; S.G. Warburg added 9 [illegible] 372p and Schroders appreciated 22 [illegible] 695p.

[illegible] uncomfortable ride as [illegible] more attention [illegible] the company's [illegible] on [illegible] half prospects [illegible] to the interim figures which, at £40.1m, were in line with expectations.

Analysts moved quickly to [illegible] full [illegible] back from [illegible] the £65m mark to [illegible] figure commonly around [illegible]. At [illegible] close Amstrad [illegible] off [illegible] after heavy turnover of [illegible].

Software [illegible] continued [illegible] good performances, [illegible] Microfocus again [illegible] supported and 17 higher at [illegible].

Argyll [illegible] 7 [illegible] after [illegible] order [illegible] badly handled and [illegible] suggestions of switching into the Argyll [illegible] Tesco [illegible] bonds. [illegible] unchanged [illegible].

William Low [illegible] up 11 [illegible] 319p [illegible] speculation that IEP [illegible] per [illegible] could be up for sale. Tesco was mentioned as [illegible] possible buyer. Budgens declined 6 [illegible] 40p [illegible] interim profits fell [illegible] £505,000 from £4.7m [illegible] and [illegible] that full year [illegible] likely [illegible] of earlier expectations. Analysts lowered their full [illegible] around £1.2m [illegible] £1.5m and next year's [illegible] £3.7m from £5m.

The stores [illegible] profit-taking as dealers [illegible] doubtful [illegible] prospects [illegible] immediate [illegible] in [illegible]. Marks and Spencer fell [illegible] to 237p [illegible] turnover of [illegible] as Hoare Govett turned cautious on [illegible]e stock. Dixons dropped 12 to [illegible] while GUS "A" shed 25 [illegible] 1190p.

Resort Hotels [illegible] a [illegible] offer at [illegible] to [illegible] £12.1m. The shares slipped 4 to 65p [illegible] the com[illegible] less than £4.5m [illegible] for [illegible].

TVS Entertainment, which holds the [illegible] the south [illegible] England, [illegible] 4 [illegible] 86p after man[illegible] changes. Hunterprint [illegible] ½ [illegible] 11p [illegible] posting greater full [illegible] at [illegible] compared with £2.2m.

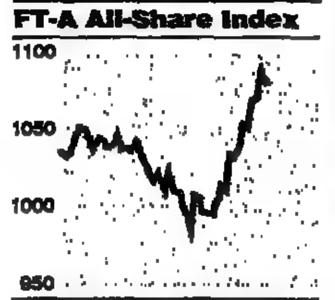
British Airways put on 1½ [illegible] 142½p as turnover [illegible] to 11m following third quarter [illegible] the upper [illegible] of analysts' expectations. The £20m profits compared with £71m [illegible] time, [illegible] a cautious [illegible]ment warning [illegible] difficult [illegible] ahead [illegible] some [illegible] the final [illegible] might not [illegible].

Reed International fell on news that the recession in advertising expenditure had prompted the company [illegible] declare 250 redundancies, almost 10 per cent of staff in its [illegible] magazines division.

The shares bottomed at 380p before closing at 388p for a net decline of 7.

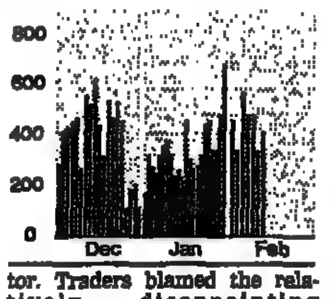
Most leading pharmaceutical issues continued to gain ground in spite of the market's reverse. Glaxo added 10 at 940p and Wellcome rose 8 to 501p, the former being particularly singled out as a buy in a Kleinwort Benson review of the sector. Traders blamed the relatively disappointing performance of SmithKline Beecham, 6 lower at 670p, on [illegible] over-supply of stock.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



[illegible] demand helped [illegible] Metropolitan buck [illegible] market's trend with an advance of [illegible] to 707p. Guinness put in a more [illegible] performance, with early gains wiped out by an attempt by one broker to sell put options in the stock, said a marketmaker. The [illegible] peaked at 808p and bottomed at [illegible] before ending a penny lower on balance at 797p. Turnover was a strong 2.9m.

BOC and Hanson both eased slightly ahead of figures due to be [illegible] today. The former shed [illegible] to 539p and the latter slipped 2 to 216½p.

[illegible] buying helped BET [illegible] from sustained [illegible]ness in recent months and the uncertain aftermath of the sale [illegible] its [illegible] per [illegible] stake [illegible] Thames Television to Thorn EMI [illegible] week. The [illegible] climbed 8 to 125p.

In [illegible] engineering sector, WB Industries slumped 3½ to 4p. After the market closed WB said it was "currently [illegible]ing various means to reduce the company's level of borrowings".

Courtney Pope [illegible] relinquished over a third of their value, sliding [illegible] after announcing half-time losses.

Heywood Williams held [illegible] 271p in spite of two large deals, one of 1.2m at 265p and the other of 1.3m at the same price, recorded during the morning session. Sheltered homes group Anglia Secure Homes advanced 6 to 45p for a two-day gain of 14.

Bryant eased a fraction to 102p after the lower than expected interim figures.

■ Other Market statistics, [illegible]uding the FT-Actuaries share index, Page 21

FINANCIAL TIMES STOCK INDICES

	Feb 12	Feb 11	Feb 8	Feb 7	Feb 6	Year Ago	1990/91 High	1990/91 Low	Since Compilation High	Since Compilation Low
Government Secs	[illegible]	85.05	85.15	85.01	84.70	81.11	85.15 (8/2/91)	74.13 (30/4/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.16	93.61	93.60	93.53	93.47	90.98	93.61 (11/2/91)	83.80 (30/4/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary [illegible]	[illegible]	1793.7	1760.2	[illegible]	[illegible]	[illegible]	1968.3 (3/1/90)	1510.4 (24/9/90)	[illegible]	49.4 (26/6/40)
Gold [illegible]	[illegible]	137.1	[illegible]	131.7	129.2	[illegible]	378.5 (6/2/90)	129.2 (6/2/91)	734.7 (15/2/83)	43.5 [illegible]0/71)
FT-SE 100 Share	2264.5	2279.0	[illegible]2	2243.7	2194.8	2293.2	2463.7 (3/1/90)	1990.2 (28/9/90)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	[illegible]	997.27	985.20	971.96	[illegible]	-	1003.35 [illegible]	900.45 (14/1/91)	1003.35 [illegible]	900.45 (14/1/91)
Ord. Div. Yield	5.38	5.35	5.45	5.46	5.57	4.73				
Earning Yld %(full)	11.20	11.15	11.35	11.37	11.61	11.44				
P/E [illegible]	[illegible]	10.85	10.65	10.63	10.42	[illegible]				
SEAQ Bargns 4[illegible]	35,567	33,826	[illegible]	31,614	[illegible]	24,025				
Equity Turnover(£m)†	-	[illegible]	[illegible]	1117.05	[illegible]	774.41				
Equity Bargains†	-	34,086	[illegible]	[illegible]	[illegible]	24,158				
Shares Traded (ml)†	-	406.8	342.2	490.2	[illegible]	355.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/8/90. [illegible] 10.61 ✤- indicative

Ordinary Share Index, Hourly changes — Day's High 1822.7 — Day's Low 1777.7

Open	[illegible]	[illegible] am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1822.7	1803.9	1787.0	1782.4	1780.8	1777.9	1779.0	1782.1	1780.1

FT-SE, Hourly changes — Day's High 2308.9 — Day's Low 2260.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2308.9	2289.8	2268.0	2265.3	2263.8	2260.4	2261.4	2266.6	2264.4

FT-SE Eurotrack 100, hourly changes — Day's High 1004.66 — Day's Low 993.39

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1004.30	1002.47	995.65	994.79	994.92	994.82	996.21

GILT EDGED ACTIVITY

[illegible]	Feb 11	Feb [illegible]
Gilt Edged [illegible]	91.7	69.6
5-Day [illegible]	[illegible]	96.6

*SE Activity 1974.
†Excluding intra-market business [illegible]

London report [illegible] latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR [illegible]

	Volume 000's	Closing Price	Day's change
ADT	2,500	[illegible]	
ASDA Group	9,400	[illegible]	-2
Abbey National	3,400	[illegible]	-3
Albert Fisher	[illegible]	[illegible]	+2
Allied-Lyons	[illegible]	[illegible]	-7
Amstrad	9,400	[illegible]	-6
Anglian Water	693	[illegible]	-7
Argos	755	[illegible]	-3
[illegible] Group	4,200	[illegible]	-7
[illegible] Int. Foods	198		
BAA	1,300	354	+1
BAT Inds	2,100	644	-4
[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds	3,200	352	+4
Dalgety	1,200	374	+4
Dixons	[illegible]	[illegible]	-12
ECC Group	387	381	-2
Eastern Elect.	1,100	169	-1
East Midland Elect.	836	179	
Enterprise Oil	388	548	+2
Eurotunnel Units	681	483	+6
FKI	3,400	47	+1
Ferranti	2,308	11	
[illegible]	2,700	394	-2
MEPC	1,400	535	-8
[illegible]	976	66	+1
[illegible]	679	211	-1
[illegible] & Spencer	8,900	237	-8
Maxwell Comms.	717	152	
Midland Bank	3,800	185	-8
Midlands Elect.	863	179	-1
NatWest Bank	4,200	302	-8
Next	3,500	25½	-3
North West Water	945	[illegible]	-8
Northern Elect.	715	[illegible]	-6
Northern Foods	838	[illegible]	-9
Smith (W.H.) A	2,300	347	+5
[illegible]	2,400	100	+1
[illegible]	3,800	570	-8
[illegible] Uts.	0	[illegible]	-12
[illegible]	3,500	[illegible]	-2
Southern Elect.	[illegible]	177	-2
[illegible]	197	195	-1
[illegible]	178	311	-4
[illegible]	367	190	+2
[illegible]	730	[illegible]	-8
[illegible]	2,400	[illegible]	
Storehouse	[illegible]	106	-7
British Airways	12,000	142½	+1½
British Gas	8,800	246	-1½
British Land	1,450	[illegible]	-4
[illegible]	6,300	314	-4
British Steel	5,900	122	-2
British Telecom	5,000	297	-2½
Bunzl	2,900	71½	+3½
Burmah Castrol	979	543	+11
Burton	7,000	80	-2
Cable & Wire.	2,100	497	
Cadburys	1,720	343	-5
Calor Group	57	229	-3
Carlton Comms	883	379	+4
Coats Viyella	1,600	118	
Comm. Union	2,700	488	+5
Cookson	2,000	114	-4
ICI	[illegible]	977	-1
Inchcape	[illegible]	349	[illegible]
Kingfisher	[illegible]	394	-7
Ladbroke	[illegible]	229	
Land Securities	2,700	554	-4
Laporte	62	528	+7
Legal & General	1,300	366	+1
Lloyds Abbey	1,100	388	-1
Lloyds Bank	[illegible]	327	-2
LASMO	1,600	375	+8
London Elect.	1,400	187	-3
Lonrho	3,500	200	
Lucas	2,000	141	-4
MB Caradon	632	184	-7
Reuters	3,400	769	-3
Rolls Royce	8,800	[illegible]	-3½
[illegible]	359	[illegible]	
Ryl Bk Scotland	1,300	176	-3
Royal Insurance	2,800	420	[illegible]
Saatchi	420	23½	+½
Sainsbury	2,500	340	-5
Scottish & New.	[illegible]	370	-10
Sears	[illegible]	85	-3
Sedgwick	[illegible]	208	-8
Seeboard	[illegible]	178	-3
Severn Trent Water	585	374	-10
Shell Transport	3,600	480	+1
Siebe	720	316	[illegible]
Slough Ests	268	241	
Unilever	[illegible]	709	-4
United Biscuits	1,300	352	-3
Utd. Newspapers	606	[illegible]	
Water Package Uts.	1[illegible]	[illegible]	[illegible]
Wellcome	[illegible]	501	[illegible]
Welsh Water	372	392	-4
Wessex Water	408	[illegible]	-3
Whitbread 'A'	778	448	-5
Wiggins Teape	[illegible]	186	-1
Williams Hldgs.	2,700	284	+1
Willis Corroon	2,000	279	-2
Wimpey	387	[illegible]	+1
Yorkshire Elect.	865	[illegible]	-1
Yorkshire Water	677	[illegible]	-7

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990/91

NEW HIGHS (88).
BRITISH FUNDS (2) AMERICANS (3) BANKS (6) BREWERS (2) BUILDINGS (4) CHEMICALS (1) STORES (3) ELECTRICALS (2) ELECTRICITY (4) FOODS (9) INDUSTRIALS (17) Amer Free A, BTR Warrants 1994-95, Boots, Fisons, Glaxo, Isotron, Kalon, Novo Nordisk B, RCO, Rank Organ. 8¼pc (Net) Cnv. Cm. Rd. Prf., Reckitt & Colman, [illegible] Security, [illegible] & [illegible] Beecham A. Do. Equity Units, Spring Ram, Unichem, INSURANCE (3) PROPERTY (1) TRUSTS (10) WATER (1) OILS (1).
NEW LOWS (38).
BUILDINGS (2) ELECTRICALS (2) ENGINEERING (4) FOODS (1) INDUSTRIALS (10) Boustead, Clearmark, Courtney Pope, Hails Homes & Gardens, Hay (N), Metsec, Page (M), Plessweal, Rock, Wiltshaw, LEISURE (5) NEWSPAPERS (1) PAPERS (4) PROPERTY (1) TRANSPORT (1) TRUSTS (2) OILS (2) MINES (1).

LONDON SHARE SERVICE

BRITISH FUNDS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.

"Shorts" (Lives up to Five Years)

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
99¼	92¼	Funding 5¼pc '87-91‡‡	99¼		5.80	[illegible]
[illegible]	[illegible]	Treas. 3pc 1991	98¼		3.08	[illegible]
[illegible]	[illegible]	Treas 10pc Cv '91‡‡	99½	-⅛	10.09	[illegible]
[illegible]	[illegible]	Exch. 11pc 1991	99½		11.06	[illegible]
97¼	[illegible]	Treas. 8pc 1991	97¼		8.23	11.49
101½	[illegible]	Treas. 12¾pc 1992‡‡	101⅛		12.60	11.40
98¼	[illegible]	Treas 10pc 1992	98[illegible]		10.13	11.37
96½	89¾	Treas. [illegible]pc 1992‡‡	96[illegible]		8.30	11.26
[illegible]	[illegible]	Treas [illegible]pc Cv 1992‡‡	99[illegible]		10.59	11.18
[illegible]	[illegible]	Treas. [illegible]pc 1992	92[illegible]		3.24	9.12
[illegible]	95[illegible]	Exch. [illegible]pc '92	101[illegible]		12.07	11.11
104	[illegible]	Exch 13½pc 1992	103[illegible]		13.04	[illegible]
[illegible]	[illegible]	Treas 8¼pc 1993	95[illegible]		8.64	[illegible]
[illegible]	90¾	Treas 10pc 1993‡‡	98[illegible]		10.15	[illegible]
104	96[illegible]	Treas 12½pc 1993‡‡	103[illegible]		12.03	[illegible]
92[illegible]	82	Funding 6pc [illegible]	91[illegible]		6.56	[illegible]
[illegible]	[illegible]	Treas 13¾pc 1993‡‡	107[illegible]		12.81	[illegible]
[illegible]	[illegible]	Treas. 8½pc 1994	94[illegible]		8.95	10.44
[illegible]	[illegible]	Treas 14½pc 1994‡‡	110[illegible]		13.12	10.36
[illegible]	[illegible]	Exch 13½pc 1994	108[illegible]		12.49	10.42
99[illegible]	[illegible]	Treas. 10pc Ln[illegible]	98[illegible]		10.11	[illegible]
106[illegible]	[illegible]	Exch. 12[illegible]	106[illegible]		11.79	[illegible]
95[illegible]	85	Treas 9pc [illegible]	95[illegible]		9.40	[illegible]
105[illegible]	94[illegible]	Treas 12pc [illegible]	105[illegible]		11.39	10.28
87	73	Exch 3pc Gas [illegible]95	84		3.57	[illegible]
[illegible]	88[illegible]	Exch. 10¼pc 1995	99[illegible]		10.28	[illegible]
[illegible]	97[illegible]	Treas 12¾pc 1995‡‡	108[illegible]		11.71	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield (1)	Yield (2)
126[illegible]	110¼	Tr. 2pc '92‡‡ (97.8)	126[illegible]		1.95	4.19
116[illegible]	103¼	Do. 2 '94 (102.9)	116[illegible]		3.01	3.77
171[illegible]	150[illegible]	Do. 2pc '96 (67.9)	169[illegible]		3.34	3.79
[illegible]	[illegible]	[illegible]pc '01 (78.3)	138[illegible]		3.96	4.22
[illegible]	[illegible]	[illegible]pc '03 (78.8)	133[illegible]		4.06	4.27
[illegible]	[illegible]	[illegible] '06 (69.5)	135[illegible]		4.08	4.27
127[illegible]	113[illegible]	Do. [illegible] '09 (78.8)	12[illegible]		4.09	4.27
131[illegible]	117[illegible]	Do. [illegible] '11 (74.6)	129[illegible]		4.09	[illegible]
108[illegible]	97[illegible]	Do. 2½pc '13 (89.2)	106[illegible]		4.07	[illegible]
116[illegible]	105[illegible]	Do. 2½pc '16 (81.6)	114[illegible]		4.03	[illegible]
113[illegible]	102[illegible]	Do. 2½pc '20 (83.0)	110[illegible]		3.99	[illegible]
95[illegible]	[illegible]	Do. 2½pc '24‡‡ (97.7)	92[illegible]		3.96	[illegible]

[illegible]ective real redemption rate on projected inflation of (1) [illegible] and (2) 5%. [illegible] Figures in [illegible]theses show RPI base for indexing, (ie 8 [illegible] prior to [illegible] and have been adjusted to [illegible] rebasing of RPI to 100 in January 1987. Conversion [illegible] 3.945. RPI for May 1990: 126.2 and for December 1990: 129.9.

INT. BANK AND O'SEAS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
100¾	84[illegible]	African Dv Bk 11¼ Ln 2010	100[illegible]		11.04	11.03
[illegible]	[illegible]	Asian Dev [illegible] Ln2009	[illegible]		10.60	[illegible]
111[illegible]	[illegible]	[illegible] 2003	111		11.26	10.82
[illegible]	[illegible]	[illegible] 2015	[illegible]		10.64	[illegible]
110	[illegible]	[illegible]	10[illegible]		[illegible]	[illegible]

CORPORATION LOANS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building [illegible]

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board [illegible] Ind.

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.71	9.70

FOREIGN BONDS & RAILS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Div %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
46⅝	35[illegible]	CPC Intnl. 25c	40[illegible]	+1	$2.00	-	2.9
930p	358p	California Engy	491[illegible]	+1			
36[illegible]	23½	Campbell Soup 15c	39[illegible]	+1[illegible]	$1.16	-	1.8
21[illegible]	9[illegible]	Chase Manhattan $12½	7[illegible]		$1.20	-	8.1
12[illegible]	6[illegible]	Chrysler $6¼	6[illegible]		$1.20	-	10.9
18[illegible]	[illegible]	Citicorp $1	7[illegible]		$1.00	-	6.4
40[illegible]	29¾	Colgate-Palmolive $1	37[illegible]		$1.80	-	2.4
12[illegible]	386p	Cont'l Bank Corp $4	459p	+50	$1.00	-	7.7
268p	51p	♦Corporate Data Sciences	51p				
22[illegible]	10[illegible]	Dana Corp. $1	15[illegible]		$1.60	-	5.3
768p	178p	Data General	452p	+19			
29[illegible]	18[illegible]	Dun & Bradstreet $1	24[illegible]		$2.12	-	4.5
37[illegible]	21	Eaton Corpn. 50c	29[illegible]		$2.20	-	3.7
10[illegible]	4[illegible]	Echlin Inc.	6[illegible]		70c	-	5.8
22[illegible]	11[illegible]	FPL Group 1c	15[illegible]		$2.36	-	7.8
[illegible]	15	Fluor Corp 62½pc	23[illegible]		32c	-	0.7
[illegible]	12[illegible]	Ford Motor $1	16[illegible]		$3.00	-	9.4
41[illegible]	25[illegible]	Gen. Elect. 63c	33[illegible]		$2.04	-	3.1
441p	205p	♦General Host Corp $1	358p	+7	32c	-	4.5
35[illegible]	25[illegible]	Gillette $1	35		$1.08	-	1.6
[illegible]	22p	Gt American Bank $1	63p	-6			
[illegible]	10[illegible]	Greyhound Dial $1½	14[illegible]		$1.32	-	4.8
[illegible]	583p	Hasbro Inc 50c	12[illegible]		20c	-	0.8
30[illegible]	18[illegible]	Honeywell $1½	26[illegible]		$1.50	-	2.9
21[illegible]	16	Houston Inds.	18[illegible]		$2.96	-	8.0
74	49[illegible]	IBM Corpn $1¼	66[illegible]		$4.84	-	3.7
35[illegible]	14[illegible]	Ingersoll-Rand $2	23[illegible]		$1.32	-	2.9
25[illegible]	12[illegible]	Lockheed Crpn. $1	21[illegible]		$1.80	-	4.3
11[illegible]	7[illegible]	Lone Star Inds $1	7[illegible]		$1.90	-	12.9
28[illegible]	18[illegible]	Louisiana Land 15c	21[illegible]		$1.00	-	2.3
[illegible]	939p	Lowe's 50c	1582p	+64	52c	-	1.7
[illegible]	8[illegible]	Manuf. Hanover $1	12[illegible]		$3.28	-	13.2
[illegible]	8[illegible]	Merrill Lynch $1	14[illegible]		$1.00	-	3.5
14[illegible]	8[illegible]	Molex Inc.	14[illegible]		4c	-	0.1
[illegible]	16[illegible]	Morgan (JP) $2½	24[illegible]		$1.98	-	4.1
30[illegible]	21[illegible]	Morris (Philip)	30[illegible]		$1.72	-	2.8
56[illegible]	34[illegible]	NYNEX $1	37[illegible]		$4.56	-	6.1
21[illegible]	919p	PHH Corp. $	13[illegible]		$1.20	-	4.5
23[illegible]	13[illegible]	Pall Corp. 25c	23[illegible]		66c	-	1.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

APPOINTMENTS

Co-op Bank marketing chief

■ THE CO-OPERATIVE BANK, Manchester, has appointed Mr Steve Worthington as its first head of marketing and planning. He is a lecturer in the department of business studies at Stirling University.

■ DEMATE IT, Berkhamsted, has appointed Mr Peter Ward as managing director.

■ NeXT COMPUTER UK has appointed Mr Tony Tomlins as UK sales director. He was sales and marketing director at Stratus.

■ BBN UK's software products division has appointed Dr David Johnston as its director of technical support.

■ NORTHUMBRIAN WATER GROUP has appointed Mr Alan F. Jones as corporate finance and planning director; and Mr David J. Watson as group finance controller, and finance director of Northumbrian Water.

■ Mr John M. Kitchen, group financial controller and company secretary, has been appointed a director of LISTER & CO, Bradford.

■ BURNFIELD has appointed Mr Kenneth McLachlan as a non-executive [illegible]. He [illegible] a former [illegible] Waterhouse European [illegible] services.

■ Mr Steven Meredith has been appointed managing director of CAPE ENVIRONMENTAL ENGINEERING, Warwick, part of G. & G. Kynoch.

■ Mr Edward Brown and Mr Andrew MacKenzie have been appointed executive directors of M AND A ANALYSIS.

■ EVERARDS, Leicester brewery, has appointed Mr Mark Newman as financial director and company secretary, taking over from Mr Peter Stephens who is due to retire in the spring.

■ Mr Chris Tappin has joined NEWMAN TONKS GROUP [illegible] a non-executive [illegible]. He is chairman and chief executive [illegible] Spirax-Sarco Engineering.

■ Mr Maurice Baigent [illegible] been appointed [illegible] director of T&N's UK bearings subsidiary, THE GLACIER METAL COMPANY. [illegible] remains director and general manager of Glacier's structural products division, Ilminster.

■ THE AGRICULTURAL MORTGAGE CORPORATION has appointed Mr Ron Noakes as treasury manager. He recently retired from Midland Montagu where he was correspondent banking director.

■ Mr David Reay has been appointed chief executive of TYNE TEES TELEVISION HOLDINGS. He was managing director, and is succeeded by Mr Ian Ritchie who was [illegible].

■ SUTCLIFFE SERVICES GROUP, part [illegible] Group, has [illegible] following appointments. [illegible] Peter Harrison (pictured), [illegible] financial director, becomes assistant group managing director,

retaining his present post. Mr [illegible] Ward, group marketing and [illegible] director, [illegible] managing director of subsidiary Spring Grove. Mr Ron Martin, company [illegible], has [illegible] appointed a group director, and joins [illegible] board [illegible] subsidiary Sutcliffe Catering Group, retaining [illegible] present post. Mr Miles Couchman, group marketing development director of [illegible] Catering Group, [illegible] managing director [illegible] subsidiary Plantation. Mr Anthony Ramgobin becomes marketing development controller of Sutcliffe Services Group.

■ Mr Fokke [illegible] has [illegible] appointed managing director [illegible] HENDERSON INTERNATIONAL EUROPE, [illegible] the Hague, [illegible] subsidiary [illegible] Administration Group. [illegible] was with Dutch investment companies [illegible] and [illegible].

Mr Patrick Snowball (pictured) is [illegible] over as managing director [illegible] THE AJAX INSURANCE ASSOCIATION, [illegible] Union's engineering insurance subsidiary, from March 1 following the retirement of Mr Michael Poland. Mr Snowball is commercial director.

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LONDON SHARE SERVICE

BANKS, HP & LEASING

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£15¾	£9	ABN Amro Fl5	69½	.....	Q28%	2.1	8.8	5.3
303	121	ANZ SA1	136	+4	Q38c	1.9	11.4	4.7
267	172	Abbey National 10p	257	–3	5.7	4.3	3.0	10.4
*274	126	Allied Irish Ord	154	+1	Q40%	3.3	5.8	7.0
85	47	Anglo Irish	55	.....	Q18.6%	2.3	7.6	7.2
93	58	Ansbacher (H.) 1p	58	.....	2.5	1.3	5.7	16.7
£71¼	£32½	Bancaire Cie Fr100	£32½	+¼	Q12¼%	–	2.5	–
£22¾	£12½	Banco Bilbao Vlz	£15¼	+2	Q49.1%	2.7	5.4	6.9
£58½	£21½	Banco de Santander	£24½	.....	Q28.7%	♦	5.0	♦
286	130	Bank Ireland Ir£1	164	+1	Q14.7%	2.9	8.0	5.8
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
351	320	Bank Leumi (U.K.) £1	350	.....	†15.0	–	5.7	–
134	100	Bank Scotland	128	–4	†4.55	3.4	4.7	8.2
103	83¼	Do. 9¼pc Irrd Pf £1	103	+½	9¼%	–	12.0	–
106	99½	Do. 9¼pc Irrd Pf £1	105¼	.....	9¼%	–	12.3	–
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	395	–2	†h19.57	3.5	6.6	5.5
22	9	Beachmark 20p	9	.....	0.75	–	11.1	–
335	195	Brown Shipley £1	210	+1	£12.0	2.2	‡	6.8
*435	285	Cater Allen £1	427	+7	F24.5	–	7.7	–
179	29	Chancery	42	.....	‡9.0	2.7	‡	1.7
£23¼	£14	Commerzbk DM10	£17½	+¼	Q18%	–	3.5	–
£13¼	620	Dai Ichi KBk Y50	887	+31	Q17%	6.2	0.4	41.9
*£313	£189½	Deutsche Bk DM50	£220½	–¾	Q28%	–	2.1	–
£20¾	£14¾	Espirito Santo	£16¼	.....	Q75c	5.1	2.3	8.4
253	152	First Nat. Fin. 10p	172	+6	13.0	1.2	10.1	(10.2)
121	78	FNFC 6.3pc Cv. Pf £1	89	+3	6.3%	–	9.4	–
£13¼	633	Fuji Bank Y50	1026	+1	†Q17%	6.9	0.3	43.7
325	262	Gerrard & National	308	+1	19.0	–	8.2	–
154	69	Guinness Mahon 10p	69	.....	1.49	–	2.8	–
328	194	Hambros 20p	250	+2	†11.5	–	6.1	–

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
131	50	ABI Leisure 10p	50	.....	3.1	4.4	8.3	3.4
£14¼	£5½	DAF N.V. Fl5	£6⅞	+⅛	Q50%	2.0	11.6	4.2
144	79	General Mtrs Units	91	–2	Q12½%	–	7.0	–
41	9	March Group 5p	13	.....	–	–	–	–
*£222¼	£181½	Volkswagen DM50	£115½	–1¼	Q22%	3.5	3.2	9.0
£44	£18¼	Volvo AB 'B' Kr25	£20¾	–⅝	Q62%	4.3	6.8	3.5

Commercial Vehicles

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
253	68	ERF (Hldgs)	118	.....	†10.0	1.6	‡	7.2
180	48	Plaxton Grp	52	+1	8.5	2.0	21.8	2.9

Components

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
463	420	Abbey Panels	463	.....	3.5	10.8	1.0	12.3
225	123	Airflow Streamlines	125	.....	6.0	3.0	6.4	7.0
190	145	Bostrom 5p	145	.....	†5.75	3.1	5.3	6.6
266	145	Dowty 50p	157	+1	19.0	2.1	7.8	7.5
239	110	FR Group	135	+2	6.37	3.1	6.3	6.9
135	55	Kwik-Fit Hldgs. 10p	90	–3	†2.4	2.3	3.6	16.6
174	102	Lucas Inds.	141	–4	7.0	2.5	6.6	6.9
44	14	Do. Warrants	23½	.....	–	–	–	–
80	49	Mid-States 10p	49	.....	s20.75	–	2.0	30.8

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST—Contd

[illegible]

INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible] Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Craig & Rose £1	675	.....
Finlay Pkg. 5p	33	.....
Holt (Jos) 25p	1300	.....
Carrol (P.J.)	154	.....
Helton Hldgs.	40xd	+2½
IRG	132	.....
United Drug	[illegible]	.....

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991	£99¼	.....
9pc Cap Ln. 1996	£96	–¼
Fin. 13% 97/02	£112¼	.....
Arnotts	[illegible]	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	48
BOC Grp.	28
BTR	25
Barclays	30
Blue Circle	19
Boots	29
Bowaters	43
Brit Aerospace	45
British Steel	10½
Brit. Telecom	23
Cadburys	22
Charter Cons.	38
Comm Union	40
Courtaulds	28
Eurotunnel	35
FKI	5
FNFC	20
Gen Accident	41
GEC	15
Glaxo	68
Grand Met	51
Guardian	17
GKN	27
Hanson	16
Hawker Sidd	35
ICI	78
Ladbroke	22
Legal & Gen	32
Lex Service	17
Lloyds Bank	24
Lucas Inds	11
Marks & Spencer	19
Midland Bk	16
Nat West Bk	21
P & O Dfd	44
Racal Elect	16
RHM	22
Rank Org Ord	32
Reed Intnl	32
STC	19
Sears	7½
SmKl. Beecham A	42
TI	35
TSB	11
Tesco	19
Thorn EMI	55
Trust Houses	23
T&N	13
Unilever	52
Vickers	16
Wellcome	58

Property

Stock	p
Brit Land	24
Control Secs	3½
Land Securities	45
MEPC	38
Mountleigh	9

Oils

Stock	p
Aviva Petm	3½
Brit Petroleum	27
Burmah Castrol	46
Conroy Petm	15
Gaelic Res	1½
Premier	7
Shell	37
Tuskar Res	2
Ultramar	29

Mines

Stock	p
Lonrho	19
RTZ	48

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's

Abbey Unit Tst Mngrs [illegible]
80 Holdenhurst Rd, Bournemouth 0345 717373

Brown Shipley & Co Ltd (1000)F

Confederation Funds Mngt Ltd [illegible]

GT Unit Managers Ltd (1200)H

Kleinwort Benson Unit Trusts—Contd.

Mayflower Management Co Ltd (1200)F

NM Unit Trust Mngrs—Contd.

Save & Prosper Group—Contd.

Marlborough Fund Managers Ltd (1630)F
57 Victoria Square, Bolton, BL1 1LA 0204 364842

Martin Currie Unit Trusts Ltd (0905)F
48 Melville St, Edinburgh EH3 7HF

NFU Mutual Unit [illegible] **Ltd (1400)F**

NM Unit Trust Mngrs (1200)H
The Bilton Centre, North Harbour, Portsmouth

Guide to pricing of Authorised Unit Trusts

Compiled with the [illegible] of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford [illegible] London [illegible]
Tel: 071-379-[illegible]

FT MANAGED FUNDS SERVICE

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TSB Unit Trusts (1200)H

Charlton Pl, Andover, Hants. SP10 1RE 0264 346794

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	113.84	114.53	121.84	+3.7	0.56
Do Accum	6	124.44	125.19	133 [illegible]	+4.04	0.56
TSB Brit Growth	6	66.94	67.93	72 [illegible]	-0.22	3.77
Do Accum	6	74.0	75.1	79 [illegible]	-0.24	3.77
TSB European	6	66.93	67.28	71 [illegible]	+0.6	1.16
Do Accum	6	69.36	69.72	74 [illegible]	+0.61	1.16
TSB Extra Income	6	146.74	149.84	159.4	+0.21	5.69
Do Accum	6	207.53	211.92	225.44	+0.29	5.69
TSB Smaller Cos	6	37.37	38.8	41.27	+0.17	3.54
Do Accum	6	39.18	40.68	43.27	+0.18	3.54
TSB General	6	202.94	202.9[illegible]	[illegible]	2.32	4.13
Do Accum	6	378.66	378 [illegible]	[illegible]	4.33	4.13
TSB Premier Income	5	42.63	43.25	[illegible]	0.04	9.51
Do Accum	5	76.28	77.4	[illegible]	0.06	9.51
TSB Income	6	[illegible]	[illegible]	[illegible]	0.39	5.58
Do Accum	6	[illegible]	[illegible]	[illegible]	0.73	5.58
TSB Pacific	6	[illegible]	[illegible]	210	5.16	0.47
Do Accum	6	[illegible]	206.09	219 [illegible]	5.38	0.47
TSB International	6	[illegible]	347.84	370 [illegible]	+4.54	1.32
Do Accum	6	[illegible]	446.17	474 [illegible]	+5.83	1.32
TSB Nat. Resources	6	[illegible]	53.97	57 [illegible]	+0.9	1.34
Do Accum	6	[illegible]	58.55	62 [illegible]	+1	1.34
TSB Sletd Opps	6	69.81	71.36	75 [illegible]	+0.28	3.89
Do Accum	6	83.32	85.17	90.6	+0.34	3.89
Environmental Inv	6	41.76	42.43	45.13	+0.11	2.5
Do Accum	6	43.08	43.77	46.56	+0.12	2.5
TSB Selector	6	43.37	44.07	46 [illegible]	-0.05	4.56
Do Accum	6	44.7	45.42	48 [illegible]	-0.05	4.56
TSB High Income	6	46.64	47.31	50 [illegible]	+0.05	6.26
Do Accum	6	47.88	48.56	51 [illegible]	+0.04	6.26
TSB Intl Income	6	48.53	48.73	51 [illegible]	-0.03	6.85
Do Accum	6	48.53	48.73	51 [illegible]	-0.03	6.85
TSB Selector Income	6	46.82	47.33	50 [illegible]	-0.01	6.55
Do Accum	6	46.82	47.33	50 [illegible]	-0.01	6.55

Target Trust Mngrs Ltd (1600)F

Target Hse, Gatehouse Rd, Aylesbury, Bucks

Admin 0296 394000 Dealing: 0296 [illegible]

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	66.48	66.48	[illegible]	[illegible]	[illegible]
Australia	5	5.149	5.149	[illegible]	[illegible]	[illegible]
Equity	5	148.3	148.3	15[illegible]	[illegible]	[illegible]
Euro Spec Sits	5	98.30	98.30	105 [illegible]	[illegible]	[illegible]
Financial	5	26.34	26.37	28 [illegible]	[illegible]	[illegible]
Global Opps Inc	5	58.11	58.11	62 [illegible]	[illegible]	[illegible]
Global Opps Acc	5	58.37	59.37	63 [illegible]	[illegible]	[illegible]
Gold & Gen Inc	5	32.93	32.93	35 [illegible]	[illegible]	[illegible]
Gold & Gen Acc	5	61.56	61.56	66 [illegible]	[illegible]	[illegible]
Income	5	94.12	94.12	101 [illegible]	[illegible]	[illegible]
Japan & General	5	120.1	120.1	129 [illegible]	[illegible]	[illegible]
Preference Share	5	17.73	18.00	19 [illegible]	[illegible]	[illegible]
UK Capital	5	78.55	78.35	84 [illegible]	[illegible]	[illegible]
World Income	5	58.70	58.70	63 [illegible]	[illegible]	[illegible]
Worldwide Capital	5	152.5	152.5	163.8	+0.3	1.34

Templeton Unit Trust Managers Ltd (1200)F

Atholl Crescent, Edinburgh EH3 8HA 031 228 [illegible]

[illegible]

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	[illegible]
Charibond (Accum Units)	100.4	100.4	-0.1	[illegible]
NAACIF Feb 5	546.6	546.6	-0.7	[illegible]
		39.4	---	[illegible]

MIM Ltd

Exempt Funds

	Bid Price	Offer Price	+ or -	[illegible]
Int'l Mngd P'Folio.	1023.8	1104.0	---	-
Mngd Pens (Acc)	60.40	64.40	---	-

Morgan Grenfell Unit Trust Managers Ltd

Exempt Funds

	Bid Price	Offer Price	+ or -	[illegible]
UK Equity 1 Feb 12	118.9	[illegible]	+5.6	3.[illegible]
UK Small Co 1 Feb 12	420.6	[illegible]	+6.2	2.[illegible]
Fixed Interest 1 Feb 12	105.2	[illegible]	+1.5	8.[illegible]
[illegible]	120.5	[illegible]	+4.5	[illegible]
[illegible]	99.08	[illegible]	+3.7	[illegible]
[illegible]	111.2	[illegible]	+1.6	[illegible]
[illegible]	64.86	[illegible]	+3.7	[illegible]
[illegible]	80.17	[illegible]	+2.9	[illegible]
Nth American Feb 12	90.20	[illegible]	[illegible]	[illegible]

Murray Johnstone UT Mngmt

Murray Exempt Funds

	Bid Price	Offer Price	+ or -	[illegible]
Amer Expt Feb 6	41.41	43.06	---	[illegible]
Euro Expt Feb 6	45.23	47.50	---	[illegible]
Fixed Int Ex Feb 6	45.91	47.05	---	[illegible]
Japan Expt Feb 6	39.29	40.86	---	[illegible]
Managed Ex Feb 7	38.54	40.08	---	[illegible]
SE Asia Expt Feb 6	58.25	61.05	---	[illegible]
Sm Cos Expt Feb 6	26.47	27.79	---	[illegible]
UK Eqty Ex Feb 6	36.03	37.84	---	[illegible]

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	[illegible]
Small Co's Feb 5	570.0	609.8	[illegible]	[illegible]
Do Accum	640.3	684.9	[illegible]	[illegible]
Int Expt Feb 6	151.0	[illegible]	[illegible]	[illegible]
UK Index Feb 5	1013	[illegible]	[illegible]	[illegible]
Do Accum	1083	[illegible]	[illegible]	[illegible]
Convertible Feb 8	84.6	87.36	[illegible]	[illegible]
World ex UK Index Feb 11	697.3	706.0	+35.1	[illegible]
Do Accum	697.1	706.0	+35.1	[illegible]
Japan Index Feb 11	550.4	[illegible]	+35.3	[illegible]
Do Accum	551.8	[illegible]	+35.4	[illegible]
USA Index Feb 11	831.5	[illegible]	+36.8	[illegible]
Do Accum	852.0	[illegible]	+37.7	[illegible]
Europe ex UK Index Feb 11	811.2	[illegible]	+31.0	3.1
Do Accum	829.5	[illegible]	+31.7	3.10
Pacific ex Jap Index Feb 11	745.3	[illegible]	+20.4	3.27
Do Accum	773.1	[illegible]	+21.2	3.27
Managed Exempt Feb 6	91.92	[illegible]	[illegible]	3.83
American Exempt Feb 6	110.1	[illegible]	[illegible]	3.71
European Exempt Feb 6	104.6	[illegible]	[illegible]	[illegible]
Japan Exempt Feb 6	98.25	[illegible]	[illegible]	[illegible]
Pacific Basin Feb 6	99.32	[illegible]	[illegible]	[illegible]

NM Rothschild Asset Management Ltd

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

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FT MANAGED FUNDS SERVICE

N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	96.1	101.1	----	-
Pension Managed Fd	91.6	96.4	----	-
Life Deposit Fd	104.4	109.9	----	-
Pension Deposit Fd	108.4	114.1	----	-

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	100.6	110	+1.3	-
Managed Growth	121.5	132.6	+1.4	-
Managed Opportunity	117.1	128.7	+2.1	-
NFMC Target Financial	90.7	98.1	+1.6	-
Pension Funds				
Managed Cautionary	109.2	119.4	+1.4	-
Managed Growth	127.0	139.6	+1.5	-
Managed Opportunity	119.8	131	+1.4	-
NFMC Target Mngt Pen	1353.4	1471.1	+7.4	-

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	144.4	152.0	----	-
UK Equity	148.2	156.0	----	-
Overseas Equity	118.4	124.7	----	-
Fixed Interest	140.6	148.1	----	-
Property	129.1	135.9	----	-
Index Linked	142.9	150.5	----	-
Deposit	150.1	158.1	----	-
With Profits (B)	125.7	132.4	----	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equity	143.0	151.0	----	-
Accum Equity	202.5	213.5	+0.5	-
Accum Managed	210.0	221.5	+1.0	-
Accum Five Star	153.0	161.5	+1.0	-
Accum World	112.0	118.0	----	-
Accum Lifetime	103.5	103.5	+0.1	-
Pens Acc Equity	214.5	226.0	+0.5	-
Pens Acc Managed	253.5	267.5	+1.5	-
Pens Acc Intl	184.0	194.0	+2.0	-
Pens Acc Deposit	191.0	202.0	----	-
Pens Acc Five Star	163.0	172.0	+1.5	-

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	204.7	216.0	-0.3	-
UK Fixed Int Acc	167.5	176.7	+0.3	-
Intl Equities Acc	155.3	163.9	+1.2	-
UK Managed Acc	160.6	169.4	+0.1	-
Property Acc	226.4	238.9	----	-
Money Acc	125.7	132.6	----	-
Special Market [illegible]	127.3	134.4	+1.9	-
Japan Equity A[illegible]	93.4	98.6	+2.0	-
North American Acc	92.0	97.1	+2.7	-
Pacific Acc	79.7	84.5	+1.6	-
Technology Acc	96.1	101.4	----	-
Nat Resources Acc	48.6	51.3	+0.6	-
European Acc	92.8	97.9	+1.1	-
Residential Prop Acc	95.8	101.1	----	-
Swiss Equities Acc	33.1	35.0	+0.5	-
Hong Kong Acc	50.5	53.3	+0.1	-
UK High Inc Eq Acc	66.7	70.4	+0.2	-
Int Fixed Interest Acc	54.5	57.5	+0.1	-
Int Managed Acc	51.8	54.6	+0.4	-
HIP Managed Acc	104.1	109.8	+0.6	-
HIP Managed U Acc	91.0	95.9	+0.5	-
Total Investment Bond				
UK Equity Initial		139.9	-0.2	-
UK Fixed Int Initial		114.7	+0.2	-
Intl Equities Initial		105.5	+0.8	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gr's
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y2,739	2,767		—
New Generation Fd $	$22.18	22.80		—
Japan Index Alpha	Y7,744	7,861		—
Jap Sector Rotation	Y6,985	7,088		—
Jap Cap Gwth CB	[illegible]	[illegible]		—
[illegible] International (Guernsey) Ltd				
[illegible]	$10.33	10.31		—
[illegible]	$10.30	10.31		—
[illegible]	$10.54	10.90		—
[illegible] Income	$89.37	89.37		—
Schroder Investment Mngmt (Guernsey) Ltd				
Latin American	$12.3823	13.0977		—
Stonehage Fund Mngrs Ltd				
Intl Man Fd	$11.61	11.67		—
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$750.15			—
Fixed Income Shares	$875.6			—
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Meta Growth	$11.15		+0.20	—
Yamaichi ISS Fund	$8.05		+0.27	—
Yamaichi CB Plus Fund	$8.87		+0.15	—
Tiaui Inv Fund	$10.43			—

IRELAND (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
GAM Fund Management Ltd (u)						
29 Kildare Street, Dublin 010 353 1760 630						
GAM Universal US Dlr Acc		$—	111.56			—
GAM Universal US Dlr Inc		$—	111.56			—
GAM Universal DM Acc		DM—	105.97			—
GAM Universal DM Inc		DM—	105.97			—
MI Global Asset Mngmt Co Ltd "MI Trusts"						
MI Global Dollar		$—	1.00	1.07	+0.01	—

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F						
PO Box 63, Bond Street St Helier Jersey 0534 76029						
INVESCO MIM International Limited						
PO Box 271, St Helier, Jersey 0534 73114						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 37780						
Intl Circuit Portfolio	6	91.80	91.80	97.39	+2.45	0.00
Gilt	3	92.62	92.62	95.48	-0.09	10.43

For MIM see INVESCO MIM

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Bundesbank leads dollar higher

INTERVENTION BY European central banks pushed the dollar higher yesterday, leaving it hovering around DM1.4500. Monday's comments by Mr Helmut Schlesinger, deputy president [illegible] the Bundesbank, had indicated [illegible] the German [illegible] bank was not keen [illegible] support the dollar and is happy that a strong D-Mark will ensure German price stability.

Yesterday's intervention therefore caught the foreign exchanges by surprise, but [illegible] not particularly aggressive. Many European central banks, including the Bank of England and Bank of France, joined in, but by [illegible] night's [illegible] in London there [illegible] no sign of the US Federal Reserve in the [illegible].

[illegible] are waiting [illegible] today's data on January US retail sales, amid speculation that a fall in retail demand will put further downward [illegible] on [illegible] dollar.

At last night's [illegible] in London the dollar had improved to [illegible] from DM1.4450; [illegible] from Y127.70; [illegible] from SFr1.2350; and [illegible] FFr4.9525 from FFr4.9275. On Bank [illegible] England figures the [illegible] index [illegible] to [illegible] from [illegible].

Sterling [illegible] against the dollar, but [illegible] a little ground against [illegible] partners [illegible] the European Monetary System. Expectations that tomorrow's figures on UK unemployment and Friday's retail price index for January will lead to cuts in London bank base rates have weighed on the pound recently, but trends in European rates do not support this view.

The pound fell 55 points to [illegible] while rising to [illegible] from DM2.8875; to FFr9.8650 from [illegible]; to SFr2.4800 from SFr2.4675; and to Y255.50 from Y255.00. Sterling's index climbed 0.1 to [illegible].

Within the EMS exchange [illegible] mechanism [illegible] pound remained the [illegible] currency. The Spanish peseta stayed [illegible] the top [illegible] the [illegible] as [illegible] sharp rise of 1.2 per cent [illegible] January Spanish [illegible] prices suggested [illegible] continuation of firm monetary policy by the Bank of Spain. Spain's annualised inflation rate rose to 6.7 from 6.5 per cent.

In Paris [illegible] French franc gained ground against [illegible] D-Mark at the fixing, while staying [illegible] second weakest currency [illegible] ERM. The German currency fell [illegible] from FFr3.4085.

The Bank of France [illegible] to borrow funds from the domestic banking system yesterday [illegible] apparent signal that the authorities [illegible] not keen [illegible] the recent slide in wholesale money [illegible]. In common [illegible] sterling, [illegible] French [illegible] position - as [illegible] member of [illegible] ERM - does not leave the [illegible] with room [illegible] cut [illegible] rates, despite speculation that [illegible] consider [illegible] lower rates.

At yesterday's [illegible] the Bank of France left its intervention [illegible] five [illegible] 10-day repurchase [illegible] at [illegible] per [illegible].

[illegible] IN NEW YORK

Jan.12	Latest	Previous Close
£ Spot	1.9925-1.9935	1.9963-1.9973
1 month	1.15-1.13cpm	1.14-1.13pm
3 months	3.24-3.21pm	3.24-3.19pm
12 months	9.80-9.73pm	9.80-9.70pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan 12	Previous
8.30 am	94.2	94.3
9.00 am	94.2	94.3
10.00 am	94.2	94.3
11.00 am	94.2	94.3
Noon	94.3	94.3
1.00 pm	94.3	94.2
2.00 pm	94.3	94.2
3.00 pm	94.2	94.3
4.00 pm	94.3	94.2

CURRENCY MOVEMENTS

Feb 12	Bank of England Index	Morgan** Guaranty Changes %
Sterling	94.3	-18.3
U S Dollar	59.4	-19.9
Canadian Dollar	101.3	-0.3
Austrian Schilling	110.9	+12.7
Belgian Franc	113.1	-0.9
Danish Krone	111.4	+5.6
D-Mark	121.2	+26.9
Swiss Franc	114.9	+23.5
Dutch Guilder	116.3	+17.6
French Franc	105.1	-11.7
Lira	100.5	-18.9
Yen	134.5	+70.5

Morgan Guaranty changes, average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Feb 11

CURRENCY RATES

Feb 12	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.731049	[illegible]
U.S Dollar	6.00	1.45625	[illegible]
Canadian $	10.73	1.68430	[illegible]
Austrian Sch	7	14.8931	[illegible]
Belgian Franc	10.50	43.6001	[illegible]
Danish Krone	9½	8.16956	[illegible]
D-Mark	6.50	2.11695	[illegible]
Dutch Guilder	7.75	2.38607	[illegible]
French Franc	10¼	7.21426	[illegible]
Italian Lira	12½	1594.34	[illegible]
Japanese Yen	6	N/A	[illegible]
Norway Krone	8	8.29777	[illegible]
Spanish Peseta	-	133.304	[illegible]
Swedish Krona	11	7.95841	7.89111
Swiss Franc	6.00	1.80959	1.75188
Greek Drach	19	N/A	219.284
Irish Punt	-	N/A	0.769301

† European Commission Calculation.
* All SDR rates are for Feb.11

OTHER CURRENCIES

Feb 12	£	$
Argentina	18791.3 - [illegible]	9450.00 - 9470.00
Australia	2.5510 - [illegible]	1.2815 - 1.2825
Brazil	440.650 - [illegible]	221.60 - 222.00
Finland	7.0475 - [illegible]	3.5420 - 3.5450
Greece	307.50 - [illegible]	154.30 - 156.75
Hong Kong	15.4775 - [illegible]	7.7905 - 7.7925
Iran	N/A	N/A
Korea(Sth)	1432.20 - 1455.40	719.60 - 725.20
Kuwait	N/A	N/A
Luxembourg	59.50 - 59.[illegible]	29.85 - 29.95
Malaysia	5.3485 - 5.3575	2.6900 - 2.6920
Mexico	5895.90 - 5918.75	2965.00 - 2975.00
N.Zealand	3.2965 - 3.3015	1.6575 - 1.6595
Saudi Ar	7.4605 - 7.5020	3.7490 - 3.7510
Singapore	3.4030 - 3.4110	1.7110 - 1.7130
S.Af (Cm)	5.0155 - 5.0280	2.5250 - 2.5270
S.Af (Fn)	6.1680 - 6.2660	3.1005 - 3.1495
Taiwan	54.00 - 54.10	27.15 - 27.20
U.A.E.	7.3070 - 7.3480	3.6720 - 3.6740

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 12	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.576	-3.78	5.29	[illegible]
Belgian Franc	42.4032	42.1243	-0.66	1.98	37
D-Mark	2.05586	2.04609	-0.48	1.79	37
Dutch Guilder	2.31643	2.30572	[illegible]	1.78	[illegible]
Italian Lira	1538.24	1539.49	[illegible]	1.22	[illegible]
Irish Punt	0.767417	0.769301	[illegible]	1.06	-6
Danish Krone	7.84195	7.87665	[illegible]	0.86	-15
French Franc	6.89509	6.97000	1.09	0.22	-54
Sterling	0.696904	0.706010	1.31	0.00	-26

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Feb 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9860 - 1.9985	1.9915 - 1.9925	1.15-1.13cpm	6.87	3.25-3.22pm	[illegible]
Canada	2.2925 - 2.3040	2.2975 - 2.2985	0.54-0.47cpm	[illegible]	1.68-1.54pm	[illegible]
Netherlands	3.2575 - 3.2675	3.2575 - 3.2675	1¼-1⅛cpm	4.37	3½-3¼pm	[illegible]
Belgium	59.40 - 59.70	59.50 - 59.60	21-18cpm	[illegible]	56-50pm	[illegible]
Denmark	11.1310 - 11.1650	11.1350 - 11.1450	3¼-3orepm	3.43	9-8¼pm	3.07
Ireland	1.0860 - 1.0900	1.0870 - 1.0880	0.32-0.22cpm	[illegible]	0.76-0.60pm	[illegible]
Germany	2.8910 - 2.8985	2.8925 - 2.8975	1¼-1pfpm	4.40	3¼-3pm	4.40
Portugal	254.55 - 256.05	254.80 - 255.80	10-12cdis	-0.52	66-110dis	-1.38
Spain	181.50 - 182.60	181.50 - 181.80	1-9cdis	-0.33	27-40dis	-0.74
Italy	2175.80 - 2179.85	2178.25 - 2179.25	3-1lirepm	1.10	6-4pm	[illegible]
Norway	11.3170 - 11.3585	11.3250 - 11.3350	3½-2¾orepm	3.18	7½-6½pm	[illegible]
France	9.8540 - 9.8730	9.8600 - 9.8700	3¼-3cpm	3.80	8½-7¾pm	[illegible]
Sweden	10.8595 - 10.9060	10.8775 - 10.8875	1¼-1orepm	[illegible]	2¼-1½pm	[illegible]
Japan	254.95 - 256.00	255.00 - 256.00	1¼-1⅛ypm	[illegible]	3¼-3¼pm	[illegible]
Austria	20.33 - 20.38	20.33 - 20.36	7¼-6½gropm	[illegible]	21-18½pm	[illegible]
Switzerland	2.4750 - 2.4850	[illegible]	1¼-1cpm	5.14	3¼-3¼pm	[illegible]
Ecu	[illegible]	1.4100 - [illegible]	0.47-0.42cpm	3.79	1.22-1.14pm	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar [illegible] 85-5.80cpm. 12 Month 9.82-9.72pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Feb 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9860 - 1.9985	1.9915 - 1.9925	1.15-1.13cpm	6.87	3.25-3.22pm	6.50
Ireland†	1.8230 - 1.8350	1.8305 - 1.8315	0.66-0.61cpm	4.16	1.98-1.88pm	4.22
Canada	1.1530 - 1.1555	1.1530 - 1.1540	0.40-0.42cdis	-4.27	1.06-1.11dis	-3.76
Netherlands	1.6300 - 1.6420	1.6370 - 1.6380	0.33-0.37cdis	-2.56	1.03-1.08dis	-2.58
Belgium	29.75 - 30.00	29.85 - 29.95	6.50-9.00cdis	-2.91	21.00-25.00dis	-3.08
Denmark	5.5750 - 5.6115	5.5900 - 5.5950	1.53-1.73oredis	-3.50	4.65-5.25dis	-3.54
Germany	1.4450 - 1.4575	1.4525 - 1.4535	0.29-0.31pfdis	-2.48	0.91-0.93dis	-2.53
Portugal	128.25 - 128.75	128.30 - 128.40	70-80cdis	-7.01	250-270dis	-8.10
Spain	[illegible]15 - 91.65	91.20 - 91.30	55-57cdis	-7.36	167-175dis	-7.50
Italy	1089.00 - 1097.00	1093.50 - 1094.00	5.10-5.60liredis	-5.87	15.50-16.50dis	-5.85
Norway	5.6670 - 5.7065	5.6850 - 5.6900	1.57-1.92oredis	-3.68	5.60-6.10dis	-4.11
France	4.9310 - 4.9735	4.9500 - 4.9550	1.25-1.30cdis	-3.09	4.03-4.13dis	-3.30
Sweden	5.4425 - 5.4760	5.4600 - 5.4650	2.35-2.80oredis	-5.66	7.70-8.45dis	-5.91
Japan	127.95 - 128.40	128.20 - 128.30	0.12-0.14ydis	-1.22	0.41-0.44dis	-1.33
Austria	10.1730 - 10.2460	10.2400 - 10.2450	2.10-2.50grodis	-2.69	6.90-7.60dis	-2.75
Switzerland	1.2365 - 1.2480	1.2440 - 1.2450	0.16-0.19cdis	-1.69	0.44-0.49dis	-1.49
Ecu	1.4100 - 1.4185	1.4120 - 1.4130	0.38-0.36cpm	3.14	1.14-1.11pm	3.19

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Feb 12	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14½ - 14¼	14⅜ - 14¼	14⅛ - 14⅛	13½ - 13⅜	13 - 12⅞	12⅝ - 12½
US Dollar	6¾ - 6¼	6⅞ - 6⅝	6⅞ - 6¼	6¾ - 6⅝	6¾ - 6⅝	6⅞ - 6¾

Yen per 1,000: French Fr. per 10: Lira per 1,000; Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open int.
February	1661.0	1637.0	[illegible]	1664.0	1634.0	7,977
March	1673.0	1651.0	-10.0	1673.0	1649.0	1,007
April	1684.0	1684.0	+13.0	1684.0	1684.0	0
June	-	-	-	-	-	200

Estimated volume 8,322 Total Open Interest 9,204

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9920	1.9806	1.9597	1.9334	1.8942

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.9770	1.9774	1.9752	1.9850
Jun	1.9462	1.9480	1.9459	1.9556
Sep	-	-	1.9230	1.9316

BASE LENDING RATES

	%		%		%
ABN Bank	14	Co-operative Bank	14	Nat Bk. of Kuwait	15
Adam & Company	14	Coutts & Co	14	NatWestminster	14
Allied Trust Bank	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
AIB Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
● Henry Ansbacher	14	Duncan Lawrie	14	Provincial Bank PLC	15
Associates Cap Corp	15½	Equatorial Bank plc	14	Roxburghe Bank Ltd.	14½
B & C Merchant Bank	14	Exeter Bank Limited	14½	Royal Bk of Scotland	14
Bank of Baroda	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	First National Bank Plc.	16	● Smith & Williamson Secs.	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of Ireland	14	Girobank	14	Unibank plc	14
Bank of India	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of Scotland	14	● Hambros Bank	14	United Mizrahi Bank	14
Banque Belge Ltd	14	Hampshire Trust Plc	14½	Unity Trust Bank Plc	14
Barclays Bank	14	Heritable & Gen Inv Bnk.	14	Western Trust	14
Benchmark Bank	14	● Hill Samuel	14	Westpac Bank Corp.	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Whiteaway Laidlaw	14
● Brown Shipley	14	Hongkong & Shangh	14	Yorkshire Bank	14
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk.	14		
Clydesdale Bank	14	Midland Bank	14		
Comm.Bk.of London Plc	14	Mount Banking	14		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Pressure eases

UPWARD [illegible] on London interest [illegible] the Bank [illegible] England provided more than enough help [illegible] out a [illegible] day-to-day [illegible] shortage on the [illegible] market. Disappointment at Monday's January producer price data pushed rates higher earlier in the day.

UK clearing bank base lending rate 14 per cent from October 8, 1990

Three-month sterling interbank rose to 13⅝-13½ per cent in early trading, but finished unchanged [illegible] 13 9/16-13 7/16 per cent.

Prices of short sterling futures rallied on Liffe after an early decline. March delivery opened [illegible] at [illegible] and touched [illegible] low [illegible] before closing at [illegible] on Monday.

On the [illegible] market the daily credit shortage was initially forecast [illegible] £950m, but this was revised [illegible] £1,000m in the afternoon. Total [illegible] of [illegible] provided.

An early round [illegible] help was offered and [illegible] that time [illegible] authorities bought £424m bills, including [illegible] bank bills outright [illegible] 2 [illegible] per cent. Another £422m bills were purchased for [illegible] the market on March 4 at 13⅞ per cent.

[illegible] lunch [illegible] bills were purchased outright, by [illegible] of £50m Treasury bills in band 2 [illegible] per cent and [illegible] bank bills in band 2 [illegible] 13⅞ per cent. In the afternoon the Bank of England bought [illegible] bills outright, via [illegible] bank bills in band 1 [illegible] 13⅞ per cent; [illegible] Treasury [illegible] in band 2 [illegible] per cent; [illegible] £105m bank bills in band [illegible] of around £150m was provided.

[illegible] maturing in [illegible] hands, repayment [illegible] late assistance and a take-up of Treasury bills drained [illegible] with the unwinding of bill repurchase agreements absorbing [illegible]. These outweighed exchequer transactions adding £35m [illegible] liquidity and a fall in the [illegible] of £60m.

In Frankfurt call money fell [illegible] 8.60 from [illegible] as the Bundesbank left [illegible] term funds, held [illegible] behalf [illegible] public authorities, in the domestic money market. The central bank [illegible] securities repurchase agreement [illegible] for 35 [illegible] at a [illegible] rate [illegible] per cent, [illegible] 63-day tender [illegible] bid [illegible].

[illegible] that by leaving [illegible] term funds in [illegible] market and by providing 35-day [illegible] per [illegible] the Bundesbank was indicating [illegible] determination to keep call money below [illegible] per [illegible] Lombard rate.

FT LONDON INTERBANK FIXING

(11.00 a.m. [illegible]) 3 months US [illegible]		6 months US Dollars	
bid 6½	offer 6⅝	bid 6½	offer 6⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury [illegible]			
Prime rate	9	One month	[illegible]	Three year	6.97
Broker loan rate	8½	Two month	5.87	Four year	7.19
Fed.funds	6¼	Three month	6.02	Five year	7.36
Fed.funds at intervention	-	Six month	6.12	Seven year	7.64
		One year	6.20	10-year	7.77
		Two year	6.77	30-year	7.95

Jan 12	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.55-8.65	8.70-8.85	8.80-8.95	8.90-9.05	8.95-9.10	9.00
Paris	9¼-9⅜	9⅜-9½	-	9⅜-9½	-	9.25
Zurich	7½-7⅝	7⅞-8⅛	-	7⅞-8⅛	-	-
Amsterdam	9.00-9.10	9.05-9.15	-	9.05-9.15	-	-
Tokyo	7⅞-7⅞	7⅞-8	-	7⅞-8	-	-
Milan	12½-13	14-14½	-	13½-13⅞	-	-
Brussels	-	9⅜-9½	-	9⅜-9½	-	-
Dublin	10⅞-11	11⅛-11⅜	11⅛-11⅜	11⅛-11⅜	11⅛-11⅜	-

LONDON MONEY RATES

Feb 12	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14⅛	14⅜	14⅛	13⅝	13⅛	12⅝
Interbank Bid	12	14⅛	14	13½	12⅞	12½
Sterling CDs	-	-	14⅛	13⅜	13⅛	12⅝
Local Authority Deps.	14⅛	14⅛	14	13⅝	12⅞	12⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	14	14⅛	13⅞	13⅛	-	-
Company Deposits	-	-	14⅛	13⅝	13⅛	12⅞
Finance House Deposits	-	-	14⅛	13⅝	13⅛	12⅞
Treasury Bills (Buy)	-	-	13⅞	12⅞	-	-
Bank Bills (Buy)	-	-	13⅞	13	12⅛	-
Fine Trade Bills (Buy)	-	-	14⅛	13⅝	12⅞	-
Dollar CDs	-	-	6.48	6.50	6.52	6.72
SDR Linked Dep. Offer	-	-	8⅞	8⅞	8½	8½
SDR Linked Dep. Bid	-	-	8⅝	8⅝	8⅝	8⅜
ECU Linked Dep. Offer	-	-	9⅞	9⅞	9⅞	10
ECU Linked Dep. Bid	-	-	9⅞	9⅞	9⅞	9⅞

Treasury Bills (sell): one-month 13⅞ per cent; three months 12⅞ per cent; six months 12⅛ per cent; Bank Bills (sell): one-month 13⅞ per cent; three months 12 15/16 per cent; Treasury Bills: Average tender rate of discount 12.5247 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31, 1991. Agreed rates for period Feb 26, 1991 to Mar 25, 1991, Scheme I: 15.10 p.c., Schemes II & III: 15.26 p.c. Reference rate for period Jan 1, 1991 to Jan 31, 1991, Scheme IV&V: 14.012 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from February 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8, 1989. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

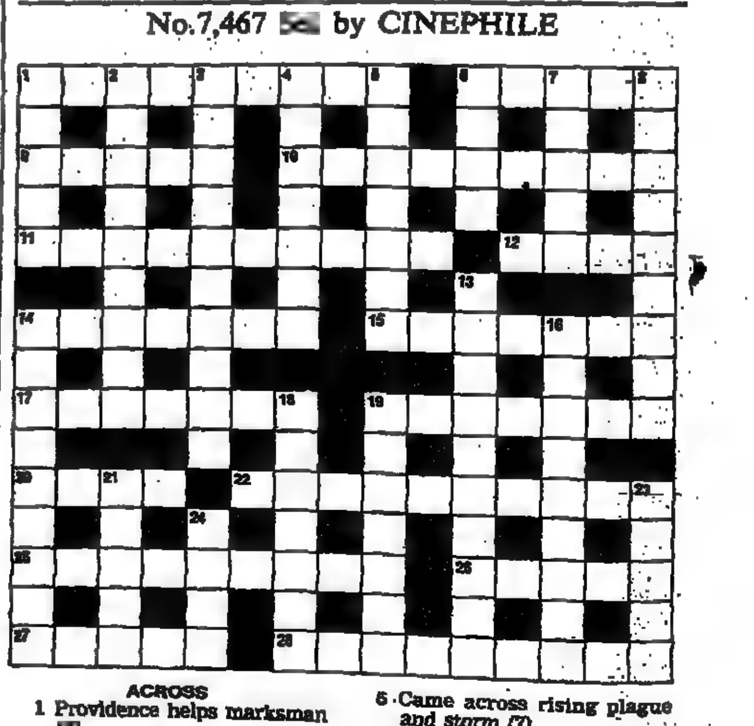
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,467 [illegible] by CINEPHILE



ACROSS

1 Providence helps marksman [illegible]
6 Beast rendering the wall (5)
9 A little discernment? (5)
10 Fruit with cheese for day dog was guide outside (5,4)
11 Carefully chosen, worker gathered (4-6)
12, 6 down Bird's body on fish (8)
14 Acquire good piece [illegible] information at bird's end (7)
15 [illegible] mythical bird caught by second [illegible] of [illegible] (7)
17 House pres[illegible] referred to as "I"? (7)
19 I'm the fool with a vessel for [illegible]irits (7)
[illegible] Communication from upright eccentric (8)
22 Part of rifle hanging up, used with old glove? (6-4)
[illegible] Compiler's betrayed [illegible] police and charged (9)
26 [illegible] city of civil nature (5)
27 Fed up with being dressed? (5)
[illegible] Criterion for enclosure [illegible] remain? (9)

DOWN

1 Bring female to draw [illegible]
2 Amplification [illegible] for Old English scanner (9)
[illegible] Lottery, for Pete's [illegible], organised without work (10)
4 Doctor interrupted by broken cloud [illegible] sporting prize (4,2)
5 Came across rising plague and storm (7)
6 See 12
7 Lose cover, [illegible] doctor last month (5)
8 Doctor left series, strangely, so jockey's left too (9)
[illegible] Weapons [illegible] at night in king's novel? (4,6)
14 Land's End, like Sandhurst? (4,5)
16 House [illegible] one vote – ten, coming up – for the proletariat (3,6)
18 [illegible] or less using force? (7)
19 Bull-fighter upholds punishment at morning [illegible]
21 Extra good? (5)
23 Skill at start of slaughter-house? (5)
24 See 20

Solution to Puzzle No.7,466

WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

FRANCE (continued) [illegible]

GERMANY [illegible]

GERMANY (continued) [illegible]

ITALY [illegible]

ITALY (continued) [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

JAPAN [illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

2pm prices February 12

[illegible]

2300 Canfor	$24¾	24⅛	24½	− ⅛
2000 Cara	$16¾	16⅛	16⅝	
17330 Cara A f	$16¾	16½	16⅛	− ⅛
7137 Carena	$14	13⅞	14	
2000 Cascades	440	440	440	+ 10
100 Celanese	$34½	34½	34½	+ ½
5200 Hawker	$25⅝	25½	25⅝	+ ⅛
130 Hayes D	$12	12	12	
86325 Hees Intl	$18⅞	18½	18⅝	+ ⅛
37000 Hemlo	$9¾	8⅞	9⅛	+ ⅜
78700 Hollingr	$13¾	13½	13⅝	+ ⅛
62400 Horsham f	$9⅛	9⅛	9⅛	
19200 Poco Pet	$7⅞	7⅞	7⅞	+ ⅛
41875 Powr Cor f	$17½	17⅛	17½	+ ⅛
8530 Powr Fin	$20	19⅞	20	
7800 Provigo	$11⅛	11	11⅛	+ ⅛
200 Quebcor A	$18	18	18	+ ⅛
12435 Woodwd A	225	215	225	+ 5

f–No voting rights or restricted voting rights.

INDICES

NEW YORK DOW JONES	Feb. 11	Feb 8	Feb. 7	Feb. 6	1990-91 HIGH	1990-91 LOW	Since compilation HIGH	Since compilation LOW
‡Industrials	2902.23	2830.69	2810.64	2830.94	2999.75 (16/7/90)	2365.10 (11/10/90)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	94.39	93.81	93.69	93.66	93.81 (8/2/91)	88.44 (24/9/90)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1127.12	1102.26	1103.67	1113.01	1212.77 (6/6/90)	821.93 (17/10/90)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	217.62	214.66	213.47	210.83	236.23 (2/1/90)	190.96 (24/8/90)	236.23 (2/1/90)	10.50 (8/4/32)

‡Day's High 2910.64 (2847.28) Low 2822.52 (2787.13)

STANDARD AND POOR'S	Feb. 11	Feb 8	Feb. 7	Feb. 6	1990-91 HIGH	1990-91 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	368.57	359.34	356.52	358.07	368.95 (16/7/90)	295.46 (11/10/90)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	434.57	423.79	420.38	422.64	437.37 (16/7/90)	346.86 (11/10/90)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	28.54	27.50	27.33	27.57	31.87 (3/1/90)	18.80 (29/10/90)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	200.85	196.10	194.74	195.38	201.13 (16/7/90)	162.20 (11/10/90)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	341.10	336.88	334.66	332.73	382.45 (5/1/90)	288.07 (30/10/90)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	444.10	436.80	435.01	439.24	469.60 (16/7/90)	325.44 (16/10/90)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb. 6	Feb. 1	Jan.25	year ago (approx.)
Dow Industrial Div. Yield	3.57	3.70	3.88	4.09
	Feb. 6	Jan.30	Jan.23	year ago (approx.)
S & P Industrial div. yield	3.01	3.20	3.30	2.89
S & P Indl. P/E ratio	17.39	16.58	16.03	14.68

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
RJ Nabisco	7,202,300	7⅛	+ ⅛
Unysis Corp	4,767,800	4⅜	+ ⅜
Philip Morris	3,271,500	61½	+ 2⅛
Boeing	3,108,700	51⅛	− ⅜
Citicorp	3,076,200	16	+ 1⅛
Am Express	2,628,600	25⅝	+ 1⅜
Chase Man	2,520,400	15⅛	+ 1⅛
McDonalds	2,466,700	30	+ 1⅛
Gen Motors	2,237,600	36⅞	− ⅜
Fannie Mae	2,227,000	46⅝	+ 2

TRADING ACTIVITY

† Volume (Millions)	Feb. 11	Feb. 8	Feb. 7
New York	265.350	187.840	293.399
Amex	20.106	13.968	20.895
NASDAQ	184.836	168.187	245.597
Issues Traded	(u)	2,037	2,060
Rises	(u)	977	835
Falls	(u)	618	837
Unchanged	(u)	442	388
New Highs	(u)	84	172
New Lows	(u)	2	8

CANADA TORONTO	Feb. 11	Feb. 8	Feb. 7	Feb. 6	1990-91 HIGH	1990-91 LOW
Metals & Minerals	3172.17	3071.77	3062.39	3073.48	3453.05 (4/1/90)	2486.60 (8/11/90)
Composite	3501.19	3445.27	3431.67	3424.03	4009.47 (3/1/90)	3009.91 (16/10/90)
MONTREAL Portfolio	1860.74	1851.31	1845.03	1845.81	2060.90 (3/1/90)	1607.24 (16/10/90)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb. 12	Feb. 11	Feb. 8	Feb. 7	1990-91 HIGH	1990-91 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1384.9	1365.4	1340.4	1344.5	1713.7 (12/1/90)	1204.5 (16/1/91)
All Mining (1/1/80)	606.3	596.6	585.4	584.3	860.8 (5/1/90)	561.6 (16/1/91)
AUSTRIA						
Credit Aktien (30/12/84)	449.09	438.78	433.40	434.61	703.29 (19/3/90)	393.54 (16/1/91)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5258.46	5200.29	5121.17	5086.87	6599.43 (12/1/90)	4664.84 (16/1/91)
DENMARK						
Copenhagen SE (3/1/83)	330.18	329.97	328.04	326.25	388.29 (20/7/90)	302.26 (8/1/91)
FINLAND						
Unitas General (1975)	364.9	360.8	362.0	358.4	677.3 (29/1/90)	348.4 (9/1/91)
FRANCE						
CAC General (31/12/82)	437.59	432.58	424.90	426.62	564.62 (30/5/90)	394.88 (15/1/91)
CAC 40 (31/12/87)	1626.24	1637.29	1622.75	1598.22	2129.32 (20/4/90)	1441.17 (14/1/91)
GERMANY						
FAZ Aktien (31/12/58)	627.56	635.76	620.23	616.49	832.32 (19/7/90)	569.69 (28/9/90)
Commerzbank (1/12/53)	1781.6	1807.8	1761.3	1754.7	2414.0 (3/4/90)	1612.5 (15/1/91)
DAX (30/12/87)	1468.94	1488.74	1457.82	1436.26	1968.55 (30/3/90)	1322.68 (16/1/91)
HONG KONG						
Hang Seng Bank (31/7/64)	3395.00	3394.08	3359.09	3333.98	3559.89 (23/7/90)	2738.24 (1/2/90)
IRELAND						
ISEQ Overall (4/1/88)	1237.93	1249.68	1222.22	1217.02	1893.10 (22/1/90)	1114.86 (25/1/91)
ITALY						
Banca Com. Ital. (1972)	530.66	527.80	522.81	519.55	763.52 (14/6/90)	486.26 (29/1/91)
JAPAN						
Nikkei (16/5/49)	24935.01	(c)	24296.08	24184.43	38712.88 (4/1/90)	20221.86 (1/10/90)
Tokyo SE (Topix) (4/1/68)	1865.66	(c)	1805.28	1786.86	2867.70 (4/1/90)	1523.43 (1/10/90)
2nd Section (4/1/68)	2765.12	(c)	2695.24	2661.03	4477.16 (16/7/90)	2499.15 (29/1/91)
MALAYSIA						
KLSE Composite (4/4/86)	526.01	518.32	518.93	519.50	632.22 (1/8/90)	459.88 (28/9/90)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	238.5	238.0	234.3	232.8	271.9 (20/7/90)	221.4 (16/1/91)
CBS All Shr (End 1983)	174.5	174.0	171.3	170.2	206.3 (3/1/90)	162.3 (16/1/91)
NORWAY						
Oslo SE (Ind) (2/1/83)	669.23	669.84	648.69	649.70	915.13 (2/8/90)	610.45 (21/1/91)
PHILIPPINES						
Manila Comp (2/1/85)	887.41	876.68	841.72	857.51	1160.70 (21/3/90)	514.80 (5/10/90)
SINGAPORE						
SES All-Singapore (2/4/75)	357.18	352.84	351.17	352.12	446.87 (16/7/90)	301.45 (11/10/90)
SOUTH AFRICA						
JSE Gold (28/9/78)	1026.0	1062.0	1075.0	1050.0	2230.0 (16/1/90)	976.0 (6/2/91)
JSE Industrial (28/9/78)	3100.0	3095.0	3050.0	3029.0	3211.0 (6/2/90)	2640.0 (1/10/90)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	648.11	629.57	628.85	634.31	928.82 (4/1/90)	566.27 (17/9/90)
SPAIN						
Madrid SE (30/12/85)	(u)	245.39	240.62	239.61	309.74 (16/7/90)	209.37 (28/9/90)
SWEDEN						
Affarsvariden Gen. (1/2/37)	971.0	972.5	975.8	964.0	1329.9 (5/7/90)	808.4 (8/1/91)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	656.6	656.8	645.0	640.9	845.5 (13/7/90)	570.4 (14/1/91)
SBC General (1/4/87)	560.1	560.7	548.8	544.9	698.2 (13/7/90)	487.1 (14/1/91)
TAIWAN**						
Weighted Price (30/6/66)	(c)	4729.65	4460.04	4384.19	12495.34 (10/2/90)	2560.47 (1/10/90)
THAILAND						
Bangkok SET (30/4/75)	760.95	745.22	728.36	720.44	1143.78 (25/7/90)	544.30 (30/11/90)
WORLD						
M.S. Capital Intl.(1/1/70) (5)	515.5*	512.7	504.3	500.4	571.0 (4/1/90)	423.1 (28/9/90)

**Saturday February 9: Taiwan Weighted Price: 4540.92, Korea Comp Ex. 631.27.

*Calculated at 15.00 GMT.

‡ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 12 February 1991

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	60.4m	500	+30
M'bishi Heavy	41.5m	814	+46
Kurabo Inds	21.4m	1590	+190
M'bishi Mtrls	19.7m	700	+49
NKK	18.1m	495	+18
Hitachi	15.1m	1,210	+60
K'saki Heavy	14.7m	590	+30
Honshu Paper	13.8m	1,490	+200
C.Itoh	12.7m	730	+35
Kobe Steel	12.1m	529	+28

AMEX COMPOSITE PRICES

3pm prices February 12

[illegible]

هكذا من الأصل

3pm prices February 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
31½	9½	AAR	.48	3.7	11	3308	13⅛	12⅞	13	– ⅛
9⅛	7⅛	ACM n1.036		11.		201	9⅛	9	9	– ⅛
11¼	8¼	ACMIn 1.26		11.		835	11	10⅞	11	+ ⅛
8½	6½	ACM M n1.01		13.		997	8	7⅞	8	+ ⅛
12½	10	ACMMM 1.50		12.		113	12¼	12⅛	12¼	
11¼	8⅝	ACM Sc1.26		12.		1144	10¼	10⅛	10⅛	– ⅛
9½	7¼	ACMSp 1.01		11		500	8⅞	8¾	8⅞	
25¼	17	AL Lab	.16	.7	19	217	24	23	23	–1
3¼	1	AM Intl				256	1½	1⅜	1½	
17½	4½	AM In pf	2	27		17	7½	7⅜	7½	+ ¼
10½	8⅝	AMEVSc 1.05a		11.		38	9⅝	9½	9⅝	+ ⅛
70¼	39⅞	AMR				6027	60¼	58⅞	58⅞	–1¼
25⅞	25	AMR pf 2.67		10		7	25½	25½	25½	
44¼	29¼	ARCOCh 2.50		6.7	12	164	38	37½	37½	– ½
4	1¼	ARX				198	2	1⅞	2	
66¾	38¼	ASA	3	6.6		1162	45⅞	43½	45¼	+1¼
3½	1⅞	ATTC wt				35	2⅛	2⅛	2⅛	
47	31¼	AbtLab s.84		1.8	21	7528	u47⅛	46½	46⅞	
14	9⅞	Abitibi g.50				4	12⅞	12⅞	12⅞	+ ⅛
10⅛	4½	AcmeC	.40	6.2	19	298	6½	6⅛	6½	+ ¼
9⅛	4⅝	AcmeE			2	30	5	5	5	+ ⅛
33⅞	20⅛	Acuson s			26	1258	33	32¼	32⅞	+ ⅝
16⅞	14⅛	AdaEx 1.77e		11.		x108	16⅞	16⅛	16⅛	– ⅛
14½	7½	Adobe				198	7⅞	7⅝	7⅞	
19⅞	16	Adob pf 1.84		11.		10	16⅝	16⅝	16⅝	
21⅞	16⅞	Adob pf 2.40		12.		40	20	19⅞	19⅞	– ⅛
11⅞	3⅝	AMD				11073	8¼	7⅞	8¼	+ ⅛
32⅛	13	AMD pf	3	11.		36	26½	26	26⅛	+ ⅛
6⅞	1⅞	Advest	.16	4.1		246	4	3⅞	3⅞	
54⅛	29	AetnLf	2.76	6.1	11	3294	45⅝	45¼	45⅛	–1⅛
11⅛	6¼	AhIPb	.24	2.6	26	1360	9¼	9	9¼	+ ⅛
22½	10⅝	Ahmans	.88	5.3	10	3470	17⅛	16⅞	16⅞	– ½
3⅞	1⅞	Alleen			7	22	3½	3⅜	3½	
61	42⅞	AirPrd	1.44	2.4	14	2176	u61½	60⅞	61¼	+1
[illegible]										

Continued on Page 35

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
48 1/8	42 1/2	Xerox pf4.13		8.4		7 u49	48	49	+2	
32 7/8	13	XTRA	.72	3.5		134 21	20 7/8	20 1/4	- 3/8	
26	12 1/2	XTRA pr1.94		10		8 19 1/4	19	19	- 1/2	
3 1/8	5-16	Zapata				148	15-16	7/8	15-16	
7 5/8	3	Zemex				3	5 1/8	5 1/8	5 1/8	
11 5/8	4	ZenithE				852	7 1/8	6 7/8	7	
19 1/2	9 7/8	ZenNtl	1	5.6		140	15 1/4	15	15 1/4	+ 1/8
6 7/8	4 3/8	Zenix	.84	17.		105	5	4 7/8	4 7/8	
15 1/2	9 7/8	Zero	.40	3.2	13	852	12 5/8	12	12 1/2	+ 3/8
51 1/8	29 1/2	Zurnin	.88	2.1	17	474	41 7/8	40	41 7/8	+ 5/8
12 1/8	10 1/8	Zweig	1.07e	8.8		904	12 1/8	12	12 1/8	+ 1/8
10	7 7/8	ZweigTl	.96	10.		1136	9 5/8	9 1/2	9 1/2	

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

NASDAQ NATIONAL MARKET

3pm prices February 12

AMERICA

Dow recovers from early round of profit-taking

Wall Street

SOME INVESTORS took the opportunity yesterday morning to realise profits gained during the recent rise, but the selling was not sustained and shares *prices recovered from early* lows, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 2.23 at 2,900.00, but well above its lows for the day. The more broadly *based* Standard & Poor's 500 was also a touch weaker, down 0.01 at 368.57, while the Nasdaq composite of over-the-counter stocks was slightly higher, up 0.16 at 444.26. Big Board turnover was *again high at 173m shares.*

The fall in prices yesterday did not surprise the market, which had been expecting a correction after the impressive performance during the last week. Most analysts still believe that a new bull market phase has begun, although worries about the Gulf and the economy lurk just under the surface.

Among leading issues Boeing was again a feature. For the second day running the opening of trading in the company's stock was delayed due to an order imbalance, as sellers queued up at the start of the day.

The news that has prompted the sell-off came from the UK, where British Airways has decided to defer the delivery of up to five Boeing 767 aircraft. *On Monday BA was reported to* be postponing a $2bn replacement programme, which would probably have included some orders for Boeing. This latest setback, combined with bearish comments from aviation *analysts, pushed Boeing down* $2¾ to $42¼ on turnover of 2.8m shares.

Goodyear eased $¼ to $19¼ after the tyre producer reported fourth quarter net income in 1990 of $11.6m, down *from the $14.7m earned* in the last three months of 1989. The *final quarter's profit was insufficient* to prevent Goodyear from reporting a loss of $38.3m for the whole of 1990.

In the over-the-counter sector, two healthcare companies rose against the trend on good earnings figures. US Healthcare jumped $4 to $40⅞ on *turnover of 1.6m shares after* revealing fourth quarter net profits of 63 cents a share, compared with 19 cents a share a year ago. United Healthcare, a separate company, climbed $2⅞ to $31⅞ in the wake of fourth quarter net income of 36 cents a share, up from 20 cents a *share in the last* quarter of 1989.

Motor stocks were mixed, reflecting the market's nervousness in the middle of the *reporting week for* car manufacturers. Ford fell $1 to $31¼ on turnover of 1.1m shares and General Motors was steady at $36¾; both companies are due to unveil fourth quarter earnings in the next few days.

Chrysler, which last week reported an unexpected fourth quarter and annual profit for 1990, yesterday slipped back $⅛ to $11⅛.

Canada

TORONTO stocks rebounded *from an early bout of profit*-taking. At midday, the composite index was 14.73 higher at 3,515.92. The metals and minerals index rose 37.24 to 3,209.41.

Volume by noon stood at 19.2m shares compared with Monday's 17.5m.

The most active shares by *midsession* were Alcan, which rose C$¾ to C$26¾ with 865,502 shares traded, followed by Scotiabank, which eased C$⅛ to C$14⅝ with 841,987 shares exchanged.

ASIA PACIFIC

Nikkei advances 2.6% as volume tops 1bn shares

Tokyo

SHARE PRICES surged on very heavy volume yesterday, with investors encouraged by the sharp rise on Wall Street on *Monday, the strengthening* yen and hopes of a short recession in the US, *writes Ian Rodger in Tokyo.*

The Nikkei average closed at 24,935.01, up 638.93 or 2.6 per cent from Friday's finish. The *market was closed on Monday.* It was the sixth consecutive session with a rising trend, and foreign investors played a leading role. Volume reached 1bn *shares for the first time since* October, after Friday's 700m.

Prices soared from the start, with the Nikkei average climbing 772.72 in the morning from an opening of 24,333.07, the day's low, to a peak of *25,073.80. It was the first time* the index had passed 25,000 since October. During the afternoon, profit-taking set in and the Nikkei eased to under 24,900 before turning up at the close.

Advances on the first section overwhelmed declines by 1,003 to 71, with only 45 issues unchanged. The Topix index of all first section stocks advanced 60.38 to 1,865.66, but in London the ISE/Nikkei 50 index added only 2.32 at 1,451.09.

Analysts were pleasantly surprised by the strength of the advance, given the fragile economic background. Mr Naoya Ozawa of James Capel Pacific said: "There has been no change in the fundamentals, but there is a big change in psychology. Investors now feel the worst is over and quite a wide variety have started to participate."

Mr *Kazuhiko Hama*, general manager of the equity department at Nomura Securities, noted that foreign buyers set the tone early yesterday, with the big four brokers receiving buy orders for 34m shares from foreigners *as against* sell orders for only 7m. They focused *on interest rate-sensitive* shares, including insurance companies, steels and general construction issues, as well as the big electrical groups.

Toshiba was up Y29 at Y779, *Mitsubishi Electric added Y37* at Y707 and Sony gained Y200 to Y6,750, partly on hopes of an early recovery in US consumer confidence.

Later, domestic buyers appeared, showing interest in the *big four securities companies* and city banks. Nomura put on Y170 to Y2,140 and Daiwa Securities was up Y100 at Y1,450. Industrial Bank of Japan moved ahead Y90 to Y3,690 and Sumitomo Bank rose *Y120* to Y2,270.

Nippon Steel was the most active issue of the day, climbing Y30 to Y500 on volume of 60.4m shares, reflecting the *renewed interest in large capital* issues. Utilities were also popular, with Tokyo Gas appreciating Y24 to Y613 and Osaka Gas Y21 to Y539.

Mitsubishi group companies remained active. There have been rumours that they are trying to reduce losses on the cross-shareholdings. Mitsubishi Heavy Industries was the second most active issue, up Y46 at Y814 on 41.5m shares, while Mitsubishi Materials gained Y49 to *Y700. These companies* have also been mentioned in connection with contracts for rebuilding Iraq and Kuwait.

In Osaka, the OSE average forged ahead 801.73 *to 26,725.63* on turnover of 107.3m shares. Nintendo, the video game maker, added Y400 at Y23,400 after a Y700 advance on Friday. The company is expected to make a free scrip issue at the end of March.

Roundup

WALL Street's overnight rise propelled Pacific Rim markets to early highs yesterday, but most saw their gains eroded by profit-taking. Taiwan and Bom*bay were closed for holidays.*

AUSTRALIA rose to a four-*month high in active trading.* The All Ordinaries index peaked at 1,398.7 in the morning, before easing to close 19.5 or 1.4 per cent up at 1,384.9. Turnover expanded sharply to A$309m from A$193m.

Ampol Exploration, the oil concern, gained 14 cents to A$2.52, after announcing a large rise in post-tax operating profits for the first half. However, Alcan, the aluminium producer, lost 8 cents to A$1.41 *on reporting a net loss for 1990.*

NEW ZEALAND's Barclays index finished 1.5 per cent higher at 1,427.88, up 20.94. Foreign buying kept trading active as turnover grew to NZ$25m from NZ$16m.

Lion Nathan, the brewery and retail group, fell 15 cents to NZ$3.30 after the news late on Monday that Brierley Investments had acquired a *14.2 per cent equity interest.* Investors were worried that Brierley might not consider the stake a long-term holding.

KUALA LUMPUR enjoyed a broadly based rally, the composite index moving up 7.69 or *1.5 per cent to 526.01. Volume* rose to 84m shares from 83m. SINGAPORE's Straits Times Industrial index gained 16.81 or 1.3 per cent to 1,318.84, its highest level *since August 16 last* year. Turnover increased to S$172m from S$124m.

BANGKOK rose to a five-month high, the SET index gaining 22.08 or 3 per cent to 787.30 in high turnover of 7.1bn baht. *SEOUL's composite index* added 18.54 or 2.9 per cent at 648.11 in trading worth Won257bn, up from Won107bn.

HONG KONG finished little changed after profit-taking had erased early gains. The Hang Seng *index closed* 0.92 *up* at 3,395.00, following a day's high of 3,434. Turnover rose to HK$1.55bn from HK$1.35bn.

Rumours of a placement of 10m to 30m shares in Cheung Kong (Holdings) contributed to the reversal of the morning gains. Cheung Kong was the *most active stock* and lost 20 cents to HK$14.80.

Spain's utilities stand out in uncertain days

Peter Bruce explains why the sector has outperformed the rest of the Madrid market

OUTPERFORMING the Madrid stock market index these days should, in theory *at least*, not be very difficult. The index collapsed from the 300 level after *the Iraqi* invasion of Kuwait last August, and is languishing in the low and mid-300s.

Not so the country's eight biggest privately owned elec*tric utilities*, which earlier this month reported an overall 30.7 per cent increase *in net profits* for 1990. Even the sector's two stragglers, Fecsa and Hidruna, reported operating *profits* for the first time in years.

The *utilities have outper*formed the Madrid general index by about 13 per cent in the last three months, while normally robust stocks such as construction lagged almost 10 per cent behind.

Brokers have become so enthusiastic about the sector *in these times of uncertainty* that many are recommending that client portfolios go well overweight on the utilities. The *sector* represents just under 20 per cent of total market capitalisation in Madrid but, says Mr Robert Maxwell of Maxwell y Espinosa, "we are recommending people to go up to 30 per cent".

It is a strange situation for a sector in the midst of a pro*found restructuring. Soon,* some analysts say very soon, the government is expected to publish a new national energy plan, the PEN, which will *dictate* a sweeping reorganisation of the country's electrical assets and set out a new tariff framework. It means that some companies will vanish.

Clearly, that has a lot to do with the current interest in the sector. The government and the state-owned wholesale power supplier Endesa (whose *output* the others are required by law to buy, even though it may not be as cheap as their own) appear to be inclining increasingly towards making a *strict division* between generators and distributors. The fractious industry has recently been able to present its own restructuring ideas to the *authorities*.

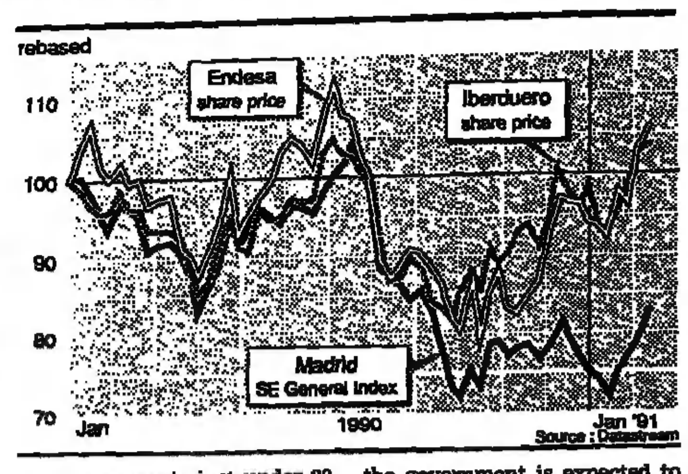
Broadly, it is assumed that the three biggest generators, Endesa, Iberduero and Hidrola, will end up controlling Spain's *electricity* supply, much to the irritation of profitable companies such as Sevillana, which may be absorbed.

For the moment the market is concentrating on less abstract notions. "We cannot say *that the situation is rosy*, but things are improving," says Mr Joaquin Tammames, senior partner at Axel group, a Madrid consultancy. He recalls that in September, utility stocks were trading at below book value. That, of course, did wonders for *yields*, which are ultimately what protect the sector in an adverse market.

The utilities are the biggest debtors on the Spanish stock market, so there is always debt financing to meet dividends. Earnings growth is impressive – some 23 per cent *last* year with, says Mr Maxwell, a minimum 13 per cent this year and a probable further 20 per cent in 1992.

WITH its expensive nuclear investments of the early 1980s now behind it, the sector had an estimated operating profit margin last year of almost 50 per cent and a pre-tax profit margin of 12 per cent.

As heavy borrowers the *stocks are also highly sensitive* to interest rates, and no one in Spain expects anything but to see these decline. Even a slight reduction would dramatically change an already healthy profits picture.



EUROPE

Bourses fall as interest rate optimism fades

THE RECENT optimism about interest rates, which had taken many bourses to their highest *levels this year*, faded yesterday as bond prices slipped and profit-taking set in. Wall Street's lower start also weighed on the late-closers, *writes Our Markets Staff.*

FRANKFURT weakened from the opening bell as investors took their profits after the market's recent strength. "A lot of short-term money entered the market in the past *few weeks which is now being* taken out with a small profit," one dealer said. A drop in bond prices also weighed on equities.

The DAX index opened at the day's high of 1,486.42 and *slipped steadily to close* 19.80 lower at 1,468.94. The FAZ index, calculated at midsession, was 8.2 lower at 627.56. Volume fell to DM5.2bn from DM5.8bn.

Blue chips led the declines. *Daimler-Benz finished* DM7 lower at DM548, while Siemens fell DM7.30 to DM607.50 and Deutsche Bank lost DM3.30 to DM636.50.

Lufthansa, the national airline, went against the trend, and *added DM2.70 to DM110*. A company official said on German television that the Gulf crisis had cost the airline DM65m in lost earnings and *DM290m in higher fuel bills* between August and December last year, but the carrier still expected to break even in 1990.

PARIS turned lower as bond futures fell and hopes of an interest rate cut waned. The *CAC 40 index dropped 11.05 to* 1,626.24, although a decline in turnover from Monday's FFr2bn suggested that the urge to sell was not great.

Suez lost FFr3.40 to FFr287.60. The company is due to hold a board meeting today, at which it is expected to approve the purchase of the stake held in Société Générale de Belgique by Cerus, as well *as the absorption of Compagnie La Hénin.*

Against the general trend, Peugeot gained FFr9 to FFr462. One analyst pointed out that the stock had not participated in the recent blue-chip rally, *and said that* it had been oversold. After the bourse closed, the carmaker announced a *4.6* per cent rise in 1990 group turnover – slightly below expectations.

Other winners included Rémy et Associés, which had dropped sharply recently on its *results. The shares* recouped FFr11 or 5 per cent to FFr231.50.

AMSTERDAM's recent rally was halted by a fresh onslaught of bad news from the corporate sector. Early in the day, *Fokker, the aircraft* manufacturer, said that it would cut 1,000 jobs and delay the resumption of dividend payments as a result of prob*lems caused by* the continued weakness of the dollar. Fokker *fell* Fl 1.10 or 4.1 per cent to Fl 25.50.

Just as the market closed, Hunter Douglas, the precision machinery and window covering *manufacturer*, said *that it* expected its 1990 net profit to be substantially lower than 1989's record profit of Fl 171.5m. However, it said that it would pay an unchanged cash dividend of Fl 2 on 1990 results. The stock lost Fl 1 to Fl 60.30. The CBS tendency *index closed 0.2 lower at 83.5.*

MILAN rose for the seventh straight session on technical factors linked to the monthly expiry of options and the close of the account tomorrow. However, profit-taking near the close *pushed most shares off* their highs. Prices weakened further in the after-market. The Comit index rose 2.86 to 530.66.

Fiat, which has halted car production for one week, rose *L141 to L5,061*, but then slipped to L4,960 after hours.

In the telecommunications sector, Stet eased L14 to L2,065. After hours Iri, the Italian state holding company, said that it was speeding up its 1991 investment *in Stet by L3 trillion* to L10.4 trillion, by bringing forward funds scheduled for later years.

ZURICH lost early gains as *investors took profits, and on* selling linked to the expiry of Soffex options on *Friday*. Wall Street's lower start also depressed the market. The Crédit Suisse index finished 1.7 lower at 501.6.

Financial shares continued to dominate trading. Union *Bank* bearers lost SFr20 to SFr3,290 and CS Holding bearers eased *SFr10 to SFr1,800.* But Swiss Bank Corp bearers added SFr2 to SFr315.

BRUSSELS saw its winning streak continue, with the cash *market index up 58.17 at* 5,258.46. Société Générale de Belgique, BFr55 higher at BFr2,060, and some related companies were enlivened by speculation that La Générale might soon sell some assets.

Among *its affiliates, CBR*, the cement-maker, jumped BFr210 or 3.3 per cent to BFr6,490 and Tractebel, the energy and electric utility, added BFr100 or 1.3 per cent to BFr7,870.

OSLO was active as profit-taking erased most of its early gains. The all-share index closed 1.49 up at 462.74 in turnover of NKr925m, up from NKr451m. Hafslund Nycomed A shares added NKr2 to *NKr164 after the previous day's* profits news.

HELSINKI rose in busy trading, the Unitas all-share index picking up 6.1 or 1.6 per cent to 366.9. Turnover was FM16.2m, with FM8.4m in free shares. COPENHAGEN's index edged up 0.21 to 330.18.

STOCKHOLM finished slightly lower, as profit-taking set in following declines in other bourses. The Affärsvärlden General index lost 1.5 to 971.0 in turnover of SKr402m, up from SKr245m.

AGA, the industrial gas group, saw its B shares lose SKr5 to SKr380 in turnover of SKr10m, after the company reported a 29 per cent increase in 1990 profits – slightly below expectations.

MADRID was restrained by a higher-than-expected inflation figure for January. The general index provisionally rose 0.49 to 246.38.

VIENNA ignored Frankfurt's weakness and gained 1.4 per cent to a year's high. The bourse index added 8.40 to 505.16. The ATHENS general index rose 27.32 or 2.7 per cent to 1,022.58, but ISTANBUL's 75-share index slipped 67.98 or 1.4 per cent to 4,865.68, as turnover eased to TL133bn from TL172bn.

SOUTH AFRICA

GOLD SHARES followed bullion prices lower. The all-gold index came off an early low of 1,015 to end 36 down at 1,026, *but the industrial index* gained 5 to 3,100. The all-share index closed 15 down at 2,685, above an earlier low of 2,677.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY FEBRUARY 11 1991								FRIDAY FEBRUARY 8 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990/91 High	1990/91 Low	Year ago (approx)
Australia (75)	127.88	+1.7	94.92	103.23	96.07	109.21	+1.8	6.64	125.74	93.79	101.58	95.21	107.23	158.31	112.74	142.41
Austria (19)	196.58	+1.9	145.91	158.69	147.69	148.14	+1.2	1.84	192.97	143.95	155.89	146.12	146.34	285.63	167.00	248.58
Belgium (60)	146.67	+2.1	108.86	118.39	110.19	107.97	+1.8	5.45	143.65	107.15	116.03	108.77	106.10	180.02	121.73	145.07
Canada (116)	138.34	+1.8	102.68	111.67	103.92	115.85	+1.6	3.48	135.95	101.41	109.82	102.94	114.05	153.61	121.24	140.67
Denmark (32)	260.53	+0.9	193.37	210.30	195.72	197.99	+0.5	1.52	258.31	192.68	208.67	195.60	197.00	277.62	217.74	253.68
Finland (21)	104.01	+0.5	77.20	83.97	78.14	77.22	+0.2	3.96	103.46	77.18	83.59	78.35	77.05	152.29	90.61	150.61
France (113)	145.25	+1.5	107.81	117.24	109.11	112.27	+0.8	3.88	143.15	106.78	115.63	108.38	111.37	168.85	121.65	148.61
Germany (88)	122.25	+3.3	90.74	98.70	91.84	91.84	+2.5	2.48	118.31	88.25	95.59	89.59	89.59	144.63	101.38	130.09
Hong Kong (48)	137.55	+1.4	102.09	111.03	103.34	137.63	+1.4	4.88	135.63	101.17	109.57	102.71	135.73	147.49	112.24	119.07
Ireland (16)	162.32	+2.9	120.48	131.03	121.95	124.61	+2.4	3.67	157.82	117.73	127.49	119.51	121.68	198.57	132.88	198.37
Italy (91)	82.27	+1.5	61.06	66.40	61.80	67.06	+1.0	3.77	81.09	60.49	66.50	61.40	66.42	109.28	72.05	95.74
Japan (453)	139.20	+0.1	103.32	112.37	104.59	112.37	+0.0	0.76	139.09	103.76	112.37	105.34	112.37	197.26	106.56	184.44
Malaysia (34)	218.15	+0.0	161.91	176.08	163.88	225.88	−0.1	3.33	218.14	162.72	176.22	165.18	226.04	250.89	182.96	241.45
Mexico (12)	600.39	−0.2	445.63	484.64	451.05	1946.01	+0.1	0.35	601.55	448.72	485.96	455.51	1944.03	613.96	324.53	369.48
Netherland (41)	143.69	+2.3	106.65	115.99	107.95	106.80	+1.6	5.03	140.41	104.74	113.43	106.33	105.17	149.03	125.70	136.98
New Zealand (15)	51.72	+3.0	38.38	41.75	38.85	45.61	+2.7	7.44	50.20	37.45	40.56	38.02	44.39	75.36	41.18	67.39
Norway (30)	212.85	+4.7	157.98	171.82	159.91	163.81	+3.8	1.86	203.35	151.69	164.28	153.99	157.81	276.79	182.24	237.37
Singapore (25)	177.62	+0.4	131.84	143.38	133.44	140.05	+0.3	2.97	176.86	131.93	142.88	133.92	139.58	209.24	147.24	197.20
South Africa (60)	195.89	+1.4	145.40	158.12	147.16	134.43	+1.2	4.04	193.28	144.18	156.13	146.35	132.85	251.39	151.50	219.77
Spain (41)	162.58	+2.8	120.67	131.24	122.14	112.14	+2.3	5.06	158.19	118.00	127.80	119.78	109.59	182.25	128.54	156.71
Sweden (27)	181.82	+0.0	134.95	146.77	136.60	146.63	−0.4	2.79	181.80	135.62	146.87	137.67	147.22	234.93	146.60	192.40
Switzerland (65)	99.12	+2.7	73.57	80.02	74.47	75.89	+1.9	2.77	96.53	72.01	77.99	73.10	74.45	109.77	82.17	96.01
United Kingdom (296)	181.64	+2.1	134.82	146.61	136.45	134.82	+1.6	5.19	177.93	132.73	143.73	134.72	132.73	181.64	139.87	158.27
USA (526)	149.14	+2.5	110.70	120.39	112.05	149.14	+2.5	3.31	145.48	108.52	117.53	110.16	145.48	149.14	119.06	133.67
Europe (940)	147.45	+2.2	109.44	119.02	110.77	110.53	+1.6	4.22	144.26	107.61	116.54	109.25	108.78	157.65	124.91	142.14
Nordic (110)	186.63	+1.0	138.52	150.65	140.21	140.25	+0.5	2.17	184.83	137.87	149.31	139.96	139.50	223.29	155.55	195.76
Pacific Basin (650)	138.37	+0.2	102.70	111.70	103.95	112.73	+0.1	1.11	138.12	103.03	111.59	104.59	112.61	192.75	107.82	180.43
Euro–Pacific (1590)	142.44	+1.0	105.72	114.97	107.00	112.62	+0.7	2.43	140.99	105.17	113.89	106.75	111.79	174.18	116.03	165.32
North America (642)	148.39	+2.5	110.14	119.79	111.50	146.92	+2.5	3.32	144.80	108.01	116.99	109.67	143.38	148.43	119.26	133.99
Europe Ex. UK (644)	126.57	+2.3	93.94	102.19	95.10	96.33	+1.6	3.49	123.73	92.29	99.97	93.71	94.78	145.62	106.85	130.96
Pacific Ex. Japan (197)	127.81	+1.5	94.87	103.19	96.03	113.44	+1.5	5.61	125.96	93.96	101.77	95.39	111.75	146.72	111.40	132.22
World Ex. US (1778)	143.09	+1.1	106.21	115.51	107.50	113.40	+0.8	2.48	141.60	105.63	114.40	107.23	112.54	173.77	117.12	165.11
World Ex. UK (2008)	140.36	+1.5	104.18	113.31	105.46	123.99	+1.4	2.47	138.29	103.16	111.72	104.73	121.74	162.00	115.37	152.36
World Ex. So. Af. (2244)	143.71	+1.6	106.67	116.02	107.97	124.44	+1.4	2.76	141.49	105.55	114.31	107.15	122.74	161.84	118.04	152.48
World Ex. Japan (1851)	147.96	+2.3	109.82	119.45	111.17	131.00	+2.1	3.76	144.62	107.88	116.84	109.53	128.33	151.59	124.31	136.12
The World Index (2304)	144.08	+1.6	106.90	116.27	108.21	124.51	+1.4	2.77	141.81	105.78	114.56	107.39	122.81	162.05	118.33	152.87

Latest prices were unavailable for this edition. Japanese market closed February 11.